



**DRAFT—UNEDITED**

**U.S. DEPARTMENT OF DEFENSE**

**Purchase Card  
Financial Management Team**

**Purchase Card  
Integrated Product Team**

**July 1, 1996**

## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	iv
INTRODUCTION .....	1
A. Charters .....	1
B. Organization of the Teams .....	1
BACKGROUND .....	3
APPROACH .....	5
MICRO-PURCHASING .....	6
A. Establishing the Account .....	6
1. Establish the Program .....	6
a. Emboss the Tax Exemption Number on the Card .....	7
b. DoDAAC in the RMBCS Setup Data .....	8
2. Request the Card .....	8
3. Training .....	9
4. Letter of Delegation .....	11
5. Receive Card .....	11
B. Funding Authorization .....	11
C. Purchase .....	13
1. Identify the Requirement .....	13
2. Fund Availability .....	14
3. Mandatory Sources .....	14
a. Local Inventories .....	14
b. Federal Prison Industries (FPI) .....	15
c. Items Produced by Industries for the Blind and Severely Disabled (NIB/NISH) .....	15
d. Government Printing Office (GPO) .....	15
e. DoD Wholesale Supply System .....	17
4. Special Requirements .....	18
5. Select Vendor .....	19

6. Purchase Documentation .....	19
7. Property Accountability .....	19
D. Account Reconciliation Process and Responsibilities .....	19
E. Finance and Accounting .....	26
1. Billing Office Functions .....	26
2. Accounting .....	27
3. Invoice Processing and Payment .....	30
F. Surveillance and Management Oversight .....	33
1. Card Misuse Detection Program .....	33
2. Oversight/Surveillance .....	34
3. Surveillance by Logistics Community .....	35
PAYMENT .....	36
A. Introduction .....	36
B. Acquisition Requirements .....	36
C. Changes to Adopt the “To Be” Model .....	38
D. Summary/Conclusions .....	40
INTER/INTRADEPARTMENTAL TRANSFERS OF GOODS OR SERVICES:	
SALES & COLLECTIONS .....	41
A. Interfund Billing .....	41
B. SF 1080 (Voucher of Transfer Between Appropriations and/or Funds (or Equivalent)) .....	42
C. Purchase Card .....	42
GENERAL ISSUES AND PROMOTION .....	45
A. General Issues .....	45
1. Micro-Purchase Limit (\$2,500) .....	45
2. End-User Purchases .....	45
3. Vendor Acceptance .....	46
4. Provisions for Successor Contract .....	47
5. VISA Checks and FedSelect .....	48
B. Promotion .....	49
CONCLUSIONS .....	51

APPENDIX A: CHARTERS.....	52
APPENDIX B: TEAM MEMBERS .....	53
APPENDIX C: DoD ENTRY INTO PROGRAM .....	56
APPENDIX D: COMPONENT STATISTICS .....	59
APPENDIX E: GLOSSARY .....	64
APPENDIX F: ACKNOWLEDGEMENT FOR DATA GATHERING PRESENTATIONS .....	69
APPENDIX G: FLOW CHARTS (AS-IS MODEL) .....	75
APPENDIX H: OUSD(C) MEMORANDUM OF MAY 14, 1996 .....	87
APPENDIX I: USD(C) MEMORANDUM OF MAY 28, 1996.....	88
APPENDIX J: ENACTMENT OF CERTIFYING OFFICER LEGISLATION .....	89
APPENDIX K: PROCUREMENT PROCEDURES DECISION TREE .....	90
APPENDIX L: AMLC CERTIFICATE .....	93
APPENDIX M: CONTRACT ACTIONS (1991–1995) .....	94
APPENDIX N: PURCHASE CARD GOAL COMPUTATION .....	96
APPENDIX O: PURCHASE CARD GOAL COMPUTATION .....	97
APPENDIX P: RECOMMENDATIONS .....	98
APPENDIX Q: ACRONYMS .....	102



## EXECUTIVE SUMMARY

The Under Secretary of Defense (Comptroller) and the Deputy Under Secretary of Defense (Acquisition Reform), respectively, directed the establishment of a Purchase Card Financial Management Team (PCFMT) and a Purchase Card Integrated Product Team (PCIPT). The teams were charged to make recommendations on the use of the government purchase card (1) for micro-purchases, (2) as a payment vehicle for purchases over the micro-purchase threshold, and (3) as a method for accomplishing inter- and intradepartmental transfers and sales. The PCFMT started work on April 8, 1996, and the PCIPT started on April 16, 1996.

The teams' efforts were guided by the following goals:

- ★ Promote and remove impediments to the use of the purchase card.
- ★ Provide appropriate flexibility for use.
- ★ Streamline funding and accounting for card purchases and payments.
- ★ Ensure that purchase card procedures are adequate and timely to meet customer requests.
- ★ Balance the need to protect the government's interest with the need for efficiency and cost savings.
- ★ Encourage risk management rather than risk avoidance.
- ★ Eliminate non-value-added activities.
- ★ Ensure that oversight assures compliance with policies and is performed in the least intrusive manner consistent with protection of the public trust.
- ★ Ensure that internal controls protect the government from fraud, waste, and misuse.
- ★ Ensure that recommendations fully preserve the letter and spirit of the Small Business Act and other socioeconomic statutes.

The teams were composed of representatives from several offices within the Office of the Secretary of Defense, Office of DoD Inspector General, Military Services, Defense Commissary Agency (DeCA), Defense Finance and Accounting Service (DFAS), Defense Logistics Agency (DLA), Defense Mapping Agency (DMA) and Washington Headquarters Services (WHS).

Purchase cards were proposed for use as part of the government's effort to cut the cost of buying goods and services. In 1986, several agencies piloted the use of a government commercial purchase card to reduce such costs. That pilot program found that the purchase card had advantages over other procurement methods. Specifically, the card provided a less

costly and more efficient way to buy goods and services, because government personnel could purchase items directly from vendors instead of going through procurement offices.

The first government-wide commercial purchase card contract was awarded by the General Services Administration in 1989, and the Department of Defense (DoD) entered the program at that time. In 1993, the Vice President's National Performance Review (NPR) identified the purchase card as major acquisition reform and recommended that all federal agencies increase their use of purchase cards. Use of the card was emphasized again by the Federal Acquisition Streamlining Act of 1994 (FASA) and Executive Order 12931, dated October 13, 1994, on federal procurement reform. The FASA lessened some restrictions for purchases of less than \$2,500, which the Act called micro-purchases. Micro-purchases are exempt from the Buy American Act, certain small business requirements, and the general requirement for competition.

In December 1994 and July 1995, interim FAR rules were issued citing purchase cards as the preferred method for making micro-purchases and as an accepted method for making payments over the government's electronic Federal Acquisition Computer Network (FACNET). A 1994 civilian interagency study showed that internal costs were often cut by more than half with the use of purchase cards versus purchase orders. Recent audits within DoD activities are reaching similar conclusions. In FY 94, the Department executed nearly 16 percent of all DoD contract actions with the purchase card. By the end of FY 95, the DoD purchase card use doubled from FY 94 percentage. The trend toward increased use of purchase cards in the DoD continued in FY 96, comprising 51 percent of simplified acquisitions at or below the micro-purchase level threshold.

The approach used by both teams was to work cooperatively in developing a simplified process for purchase card use. The teams followed the common business re-engineering methodology that involved reviewing and defining the current "As Is" process, identifying impediments to efficiency and developing a re-engineered "To Be" process that satisfies customer needs and streamlines program management.

Purchase card process was defined into the following areas: (1) establishing the account, (2) fund authorization, (3) purchase, (4) account reconciliation process and responsibilities, (5) finance and accounting, and (6) surveillance and management oversight. The teams reviewed the possible use of the purchase card as a payment method for contract actions above the \$2,500 micro-purchase level with existing contracts. The teams studied the use of the purchase card in the process for inter/intradepartmental transfers of goods or services: sales and collections. Lastly, the teams evaluated some general issues and how to promote the use of the purchase card.

The teams have 46 recommendations that are summarized into seven major categories. These are as follows:

*Eliminate inefficient pre-purchase approvals:*

1. Mandate use of an advanced reservation of funds (bulk funding).
2. Eliminate all pre-purchase documentation requirements placed on the cardholder.
3. Initiate a department-wide class waiver for mandatory use of local inventories.
4. Prepare a case to change the Federal Acquisition Regulation (FAR) regarding mandatory use of local inventories.

5. Initiate a department-wide class waiver for purchases from the integrated material management (IMM) manager.
6. Prepare a case to change the FAR regarding purchases from the IMM manager.
7. Advise components that HAZMAT and sensitive items may be procured with the purchase card.
8. Eliminate centralized procurements (by acquisitions personnel) of commercial item micro-purchases.
9. Eliminate prohibitions on special requirements that can be purchased with the card.
10. Establish NIB/NISH as a mandatory source only for purchases less than \$100.
11. Seek legislative relief from NIB/NISH as a mandatory source for micro-purchases.
12. Eliminate requirement to purchase from IMM by revising the DFARS.

*Maximize the use of automation:*

13. Mandate use of the Remote Access System for Level 4 account maintenance.
14. Promote the use of automated systems for electronic screening by cardholders.
15. Streamline local procedures to include automated source selection systems.
16. Establish DMDC to receive, process, and distribute the weekly data from Rocky Mountain Bank Card System (RMBCS).
17. Require components to adopt, on an interim basis, an existing automated reconciliation system.
18. Maximize EC/EDI.
19. Use automated reconciliation system with specified minimum features.
20. Maximize electronic receipt of electronic reports.

*Streamline the reconciliation process:*

21. Establish standards for reconciliation to reduce levels of review (eliminate the AO).
22. Eliminate monthly office limits.
23. Designate the RMO as the billing office and maximize electronic receipt of the R063.
24. Modify dispute procedures.

25. Establish documentation requirements.



*Streamline accounting and bill paying for purchase card transactions:*

26. Issue policy on establishing the purchase card to preclude cross-disbursements.
27. Issue policy to include the DoDAAC in user field 2 during account setup.
28. Mandate that the local agency program coordinator and servicing RMO coordinate cardholder purchase limits.
29. Maximize summary level accounting for micro-purchases.
30. Mandate a single object class for micro-purchases.
31. Develop estimation sampling model for object class.
32. Delegate invoice certification authority to the RMO.
33. Develop an interface between the automated reconciliation system and the accounting system.
34. Mandate standardized invoice disbursement procedures to include payment by EFT.
35. Establish an accelerated invoice payment process.
36. Initiate a delayed dispute process for purchase card transactions.

*Establish internal controls oriented towards risk management versus risk avoidance:*

37. Strongly discourage the use of oversight programs beyond those already in existence.
38. Develop a methodology and sampling techniques to screen transactions for misuse.
39. Implement the use of a knowledge-based system to detect fraud or misuse.
40. Oversight beyond existing programs discouraged.
41. Heads of components establish nonimpeding methods of internal controls.
42. Mandate that reports from the automated reconciliation system be provided to logistics and supply offices for surveillance.

*Training, promoting and expanding use of the purchase card:*

43. Emboss the government's tax exemption number on each purchase card.
44. Direct DAU to develop a purchase card training module.
45. Print instructions for the cardholder on a purchase card sleeve.
46. Design and incorporate into a training module solutions to increase vendor acceptance of the purchase card.

47. Establish the use of vendor pre-acceptance of clauses and provisions for procurements above the micro-purchase threshold and through \$25,000.
48. Specify for existing contracts that maximum use will be made of EC/EDI to effect payment. Purchase card shall be used for contract payments only when economically justified.
49. Specify the use purchase card as a method of collection only when economically justified.
50. Revise the DoD FMR to address policies for acceptance of purchase card.
51. Establish a DEPSECDEF goal for 100 percent of eligible micro-purchases to be made using the purchase card.
52. Encourage coverage of the purchase card program at schools and conferences where leaders learn better business practices.
53. Encourage public affairs officers to develop new stories on the advantages and success of the purchase card.
54. Encourage activity program coordinators to utilize commander's calls to promote the purchase card program.

*Future business practices:*

55. Seek to raise the micro-purchase threshold to \$25,000.
56. Establish pilot programs for the use of Visa and FEDSELECT checks.
57. Communicate to the General Services Administration the Department's requirements for the succeeding purchase card contract.
58. Prohibit use of SF 44s except in cases of overseas contingency operations.

Every recommendation made by the teams is identified for implementation to an Office of the Secretary of Defense principal staff assistant or to the heads of a DoD Components. The teams also have included an implementation schedule with a view to a timely re-engineering of business processes associated with purchase card usage in the Department.



## I. INTRODUCTION

### A. Charters

The Under Secretary of Defense (Comptroller) (USD(C)) and the Deputy Under Secretary of Defense (Acquisition Reform) (DUSD(AR)), respectively, directed the establishment of a Purchase Card Financial Management Team (PCFMT) and a Purchase Card Integrated Product Team (PCIPT) to recommend improved business practices for use of the government purchase card in the areas of (1) micro-purchases, (2) as a payment vehicle for purchases over the micro-purchase threshold, and (3) as a method for accomplishing inter- and intra-departmental transfers and sales. Specifically, the teams were tasked to determine whether a centralized Department of Defense (DoD) policy is necessary to promote and streamline the Department's use of the International Merchant Purchase Authorization Card (IMPAC) purchase card program. (APPENDIX A).

The teams' efforts were guided by the following goals:

- ★ Promote use of the purchase card.
- ★ Provide appropriate flexibility for use.
- ★ Streamline funding and accounting for card purchases and payments.
- ★ Ensure that purchase card procedures are adequate and timely to meet customer requests.
- ★ Balance the need to protect the government's interest with the need for efficiency and cost savings.
- ★ Encourage risk management rather than risk avoidance.
- ★ Eliminate non-value-added activities.
- ★ Ensure that oversight assures compliance with policies and is performed in the least intrusive manner consistent with protection of the public trust.
- ★ Ensure that internal controls protect the government from fraud, waste, and misuse.
- ★ Ensure that recommendations fully preserve the letter and spirit of the Small Business Act and other socioeconomic statutes, where applicable.

### B. Organization of the Teams

1. The PCFMT convened on April 8, 1996. The team was composed of the Office of the Under Secretary of Defense (Comptroller), the Office of the DoD Inspector General (IG), members of each of the military services, the Defense Commissary Agency (DeCA), the

Defense Finance and Accounting Service (DFAS), the Defense Logistics Agency (DLA), the Defense Mapping Agency (DMA), and Washington Headquarters Services (WHS). The USD(C) oversaw the progress of the PCFMT and will review the report of findings and recommendations for approval in coordination with the Financial Management Steering Committee.

2. The ARIPT convened on April 16, 1996. The team was composed of representatives from each of the military services, the Office of the DoD Inspector General (IG), the Defense Logistics Agency (DLA), the Defense Mapping Agency (DMA), and two offices within the Office of the Secretary of Defense (OSD). The Acquisition Reform Senior Steering Group (ARSSG) functions as the Board of Directors for the ARIPT and reviewed the progress of the team and will approve its findings and recommendations.
3. Individuals for the teams were chosen because of their knowledge as well as their broad understanding of the policies and procedures that affect the program. Appendix B lists the PCIPT and PCFMT members and their organizations.



## II. BACKGROUND

Purchase cards were proposed for use as part of the government's effort to cut the cost of buying goods and services. In March 1982, the President issued an Executive order directing executive agencies to reduce administrative procurement costs.

In 1986, several agencies piloted the use of a government commercial purchase card to reduce such costs. According to a report on the pilot program, those agencies found that the purchase card had advantages over other procurement methods. Specifically, the card provided a less costly and more efficient way to buy goods and services. Staff from program offices could purchase items directly from vendors instead of going through procurement offices. Participants in the pilot program found that the time and effort spent preparing requisitions, sending them to procurement, waiting for procurement to issue a purchase order, waiting even longer for delivery, and preparing receiving reports were greatly reduced or eliminated. According to the pilot report, instances of abuse or intentional misuse of the card were negligible.

The first government-wide commercial purchase card contract was awarded by the General Services Administration (GSA) in 1989. The Department of Defense (DoD) entered the program at that time (Appendix C).

In 1993, the Vice President's National Performance Review (NPR) identified the purchase card as major acquisition reform and recommended that all federal agencies increase their use of purchase cards for small purchases to drastically cut the red tape normally associated with the federal procurement process. At that time, small purchases were defined as purchases of \$25,000 or less. The NPR also recommended that the Federal Acquisition Regulation (FAR) be amended to promote and facilitate purchase card use for making small purchases and for ordering from established contracts.

While the cards have been available government-wide since 1989 through the Rocky Mountain BankCard System (RMBCS), they have not been widely used. Use of the card was emphasized again by the Federal Acquisition Streamlining Act of 1994 (FASA) and Executive Order 12931, dated October 13, 1994, on federal procurement reform. The FASA established the micro-purchase threshold (\$2,500), which lessened many restrictions for purchases valued at or less than \$2,500. Micro-purchases are exempt from the Buy American Act, certain small business requirements, and the general requirement for competition. FASA established the purchase card as the preferred method of purchase for micro-purchases.

Executive Order 12931 directed agencies to expand their use of purchase cards and to delegate micro-purchase authority to program officials. The Office of Management and Budget (OMB) also issued a memorandum to agency senior procurement executives and to the Deputy Under Secretary of Defense (Acquisition Reform) highlighting the benefits of the purchase card and encouraging the agencies to expand the program, particularly for micro-purchases. In December 1994 and July 1995, interim FAR rules were issued citing purchase cards as the preferred method for making micro-purchases and as an accepted method for

making payments over the government's electronic Federal Acquisition Computer Network (FACNET).

In February 1994, the purchase card contract was re-competed and again awarded to the RMBCS. The GSA administered the contract, which specifies controls that agencies must establish before issuing cards to agency staff, including setting spending limits for individual cardholders and offices and establishing operating procedures for making purchases and payments.

A 1994 civilian interagency study<sup>1</sup> showed that internal costs often were cut by more than half with the use of purchase cards versus purchase orders. Recent studies and reviews<sup>2</sup> conducted by the Army and the Navy not only substantiated the civilian interagency findings but revealed that savings within their respective organizations have been significantly greater. The Navy study also found that the average lead time for receipt of needed items dropped from 30 or more days to 6 days.

The potential for savings and improved mission support in the DoD is steadily growing, as shown by the card's use within the department. By the end of FY 95, cards were used by virtually every federal agency. More than 4 million purchases worth more than \$1.6 billion were made in that year. The Department accounted for approximately 1.7 million of these purchases valued at nearly \$796 million. The Department's rate of growth in both transactions and dollars was significant in FY 95, with a more than two-fold increase over FY 94. It is difficult to ascertain an accurate rate of purchase card use for micro-purchases versus other simplified acquisition procedures for FY 95, with a more than two-fold increase over FY 94 due to a change in reporting requirements for purchase card use directed in mid-year. However, it is estimated that 37 percent of the micro-purchases were accomplished with cards. A further breakdown by DoD Component is shown in Appendix D.

The trend toward increased use of purchase cards in the DoD is continuing in FY 96. Data collected for the first half of FY 96 list nearly 1.2 million purchase card transactions. This accounts for approximately 51 percent of simplified acquisitions at or below \$2,500. Based on performance in previous fiscal years, it is estimated that the Department will have 3.23 million purchase card transactions valued at \$1.36 billion in FY 96. Again, this nearly doubles the totals for the previous fiscal year.

---

<sup>1</sup> Government Purchase Card Council Interagency study of purchase cards dated September 1994.

<sup>2</sup> Preliminary results of ongoing U.S. Army Audit Agency time and motion study on cost benefits associated with use of the IMPAC Purchase Card and Naval Air Warfare Center, China Lake study dated January 1993.



### III. APPROACH

The ARIPT and PCFMT worked cooperatively to develop a simplified process for IMPAC purchases and payments. The teams followed the common business re-engineering methodology, which involved reviewing and defining the current (“As Is”) process, identifying impediments to efficiency and developing a re-engineered (“To Be”) process that satisfies customer needs and streamlines program management.

In defining the current process, interviews were conducted with agency program coordinators, activity program coordinators, and cardholders (see Glossary at Appendix E). These interviews served to identify concerns and impediments inherent in the exiting IMPAC program process, as well as identify best practices within the Department. Interviews also were conducted with purchase card program coordinators in other federal agencies, banking institutions, and private-sector organizations in order to benchmark with industry best practices. A list of these contacts is included in Appendix F. The teams also observed the demonstration of automated reconciliation and audit systems used by several DoD activities and other federal agencies. Using this information, the “As Is” process was analyzed (and included the development of flowcharts), noting processes which differ among the DoD Components (Appendix G).

After much discussion, the teams determined that the best way to analyze the acquisition aspects of the purchase card process was to contrast current processes against a private-sector consumer purchase card. Using the personal purchase card process as its baseline, the teams developed flowcharts for the procurement process and then identified mandatory government purchase card processes by adding the steps required by law and regulation. To identify impediments in the purchase card process, the teams compared baseline processes with both the mandatory purchase card processes and the current (“As Is”) processes and identified those steps which did not add value or which unnecessarily impeded the use of the purchase card. Finally, recommendations were made to reduce or eliminate impediments. Recommendations for streamlining activities, based upon the benchmarking and best practices data gathering, also were incorporated in the “To Be” model.

The teams also identified some general issues that affect users and managers in the purchase card program. Recommendations on these issues also are addressed in the report.



## IV. MICRO-PURCHASING

### A. Establishing the Account

Table 1 identifies and compares the steps required to establish a consumer purchase card account, a DoD purchase card account as it is currently done, and the recommended DoD purchase card process.

**Table 1**

Consumer Purchase Card	DoD Purchase Card (As-Is)	Recommended Purchase Card Process
	<ul style="list-style-type: none"> <li>Establish Program</li> </ul>	<ul style="list-style-type: none"> <li>Establish Program</li> </ul>
- Request Card	<ul style="list-style-type: none"> <li>Request Card               <ul style="list-style-type: none"> <li>◊ Identify the Cardholder</li> <li>◊ Establish Cardholder Limits</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Request Card               <ul style="list-style-type: none"> <li>◊ Identify the Cardholder</li> <li>◊ Establish Cardholder Limits</li> </ul> </li> </ul>
	<ul style="list-style-type: none"> <li>Training</li> </ul>	<ul style="list-style-type: none"> <li>Training</li> </ul>
	<ul style="list-style-type: none"> <li>Letter of Delegation</li> </ul>	<ul style="list-style-type: none"> <li>Letter of Delegation</li> </ul>
- Receive Card	<ul style="list-style-type: none"> <li>Receive Card</li> </ul>	<ul style="list-style-type: none"> <li>Receive Card</li> </ul>

KEY: Streamlined Procedures

#### 1. Establish the Program

The GSA Governmentwide Commercial Purchase Card Service Contract Guide (GS-23F-94031), dated October 1995, describes procedures for establishing new accounts and adding/changing cardholders and approving officials. This card hereafter will be referred to as a “purchase card.” Once an activity decides to implement the purchase card program, it issues a delivery order against the GSA contract with the RMBCS. The delivery order specifies the name, address, and telephone number of the local agency program coordinator (APC) and designates points of contact for the billing office and the disputes office. The RMBCS has 15 working days from delivery order acceptance to contact the APC to develop an implementation plan.



---

**IMPEDIMENT:**

---

It is not uncommon for a DoD activity to be subordinate to and funded by one DoD Component and to be located as a tenant on the installation of another DoD Component. In such cases, contracting support often is received from the host installation, whereas accounting support is performed by an Operating Location (OPLOC) of the Defense Finance and Accounting Service (DFAS) at a third site. Such situations create program fragmentation across the Components and may result in multiple and conflicting requirements and processes. This fragmentation may also lead to a loss of funds control and program identity during the approval process, may increase the number of cross disbursing transactions, and may distort the true execution of the purchase card program.

---

**RECOMMENDATION IV-1:**

---

At installations where accounts are established with the RMBCS by tenant activities of one Component through the host contracting office of another Component (through the use of Delegated Procurement Authority and/or Inter-Service Support Agreement (ISSA)), the designated billing office assigned during account setup will be that of the tenant. Accounts will not be established when the resulting RMBCS payment results in a cross disbursement of a Component's funds. This practice will assure elimination of cross disbursing transactions relative to the purchase card program.

---

**a. Emboss the Tax Exemption Number on the Card**

Cardholders have experienced problems with some vendors that insist on charging state or local sales tax for purchases made using the purchase card. Because most cardholders do not have access to a tax exempt number, and because many vendors are set up to charge sales tax in the absence of a tax exempt number or tax exemption certificate, vendors frequently charge taxes on government purchases. This creates problems for cardholders in the reconciliation process.

---

**IMPEDIMENT:**

---

Disputes occur when vendors charge tax on purchases made with the purchase card. If these disputes are not resolved with the vendor prior to the end of a billing cycle, they are reflected on the cardholder's statement of account (SOA) and the official (RO63) invoice. This necessitates that the cardholder spend time negotiating with the vendor to credit the value of the sales tax. Vendors also are reluctant to exempt the tax without having a tax exemption number for their records.

---

**RECOMMENDATION IV-2:**

---

The USD(C) should work with the GSA to modify its contract with the RMBCS so that the government's tax exemption number is embossed on each purchase card. This will allow the tax exemption number to be accessible readily to cardholders and vendors, thereby reducing the number of vendors that charge tax, saving cardholders time involved in disputes with vendors and reducing the potential for interest penalties caused by late payments.

---

**b. DoDAAC in the RMBCS Setup Data**

Several DoD Components are involved in contracting initiatives whereby a customer can purchase material directly from the manufacturer, distributor, or vendor, against "corporate" DoD-wide contracts using the government purchase card. These contracts allow the customer to fill their requirement more quickly, at discounted prices, because these items already have been competed, without re-applying acquisition rules. To continue support for these contracting initiatives, the contracting activity needs to track orders against these contracts to recover the costs of administering those contracts. Currently, within the Department, an ordering activity is identified by its DoD Automatic Addressing Code (DoDAAC). Discussions with the GSA and the RMBCS have determined that the cardholder's DoDAAC could be included in the account setup. It has been identified that "user field 2" (of the RMBCS account setup form) can be used to input the DoDAAC.

---

**IMPEDIMENT:**

---

Currently, the contracting activity cannot track orders against "corporate" contracts. Demand data is useful in future negotiations to improve contractual items, such as price and delivery. Additionally, the contracting activity cannot recover its costs to administer the contracts. Use of the DoDAAC would permit the screening of RMBCS transaction data to identify which activities are ordering from vendors with "corporate" contracts, thus enabling the contracting activity to recover costs.

---

**RECOMMENDATION IV-3:**

---

The USD(C) should direct that the DoDAAC be included in "user field 2" during account setup, and request that the GSA instruct the RMBCS to include the applicable DoDAAC on each DoD account.

---

**2. Request the Card****Identify the Cardholder and Purchase Limits**

Once a local program is established, the requiring activity transmits account setup forms to the RMBCS for all cardholders and approving officials. The setup forms identify each cardholder's single purchase limit, monthly limit, and name of the approving official (usually a supervisor).

An office billing cycle limit is established for each cardholder and approving official (AO). The cardholder has a single purchase dollar limit and a 30-day billing-cycle purchase limit, both of which should be based on estimated purchase and funding limitations. These limitations should be established jointly by the local APC and the resource management office. The AO has a 30-day billing-cycle limit. This latter limit is the total of all billing-cycle limits for cardholders under that AO. The AO limit cannot be exceeded during the billing period, regardless of individual cardholder 30-day limits. The RMBCS accepts program setup forms via paper, computer-to-computer communications, facsimiles, established electronic data formatted transmission, or other mutually acceptable methods.

---

**IMPEDIMENT:**

---

**Cardholder Setup.** Activity APCs continue to use paper and facsimile transmission to establish and update their cardholder accounts.

Currently, the RMBCS has an online transmission program called “Remote Access System” which can be accessed by the agency or activity APC. Benefits associated with electronic transmission include elimination of paper, photo-copying, facsimile and postage costs, faster file maintenance, and issuance of purchase cards. Of the total number of Level 4 activities (i.e., installation level) within the Department (1812), only 282 (16 percent) use electronic access to the RMBCS for cardholder setup and file maintenance.

**Resource Management Office Coordination.** Thirty-day billing cycle limits do not always reflect funding constraints placed on an organization. APCs must coordinate establishment and revisions of cardholder limits with the RMO.

---

**RECOMMENDATION IV-4:**

---

The DUSD(AR) should mandate use of electronic transmission for cardholder setup and account maintenance within the purchase card program.

The USD(C) and the DUSD(AR) jointly should mandate that the local APC coordinate cardholder purchase limits with the servicing RMO and ensure funds availability.

---

### **3. Training**

- a) Individual federal agencies provide training of cardholders, AOs, and other designated individuals for the purchase card program. The RMBCS provides no-cost, onsite training concerning implementation procedures and the GSA contract terms. The Department did not develop standard training requirements for use of the purchase card. Rather, it left to the discretion of using DoD activities the determination of training required to ensure that personnel used the card within the prescribed procedures. Thus, activities developed a variety of training courses.

---

**IMPEDIMENT:**

---

Varying interpretations of DoD policy on educational and training requirements for cardholders and the local unavailability of courses resulted in installations requiring cardholders to take unnecessary and/or overly lengthy procurement courses. Activities have misidentified Purchasing Fundamentals (PUR 101) or Operational Level Purchasing (PUR102) and Intermediate Purchasing (PUR201) as requirements for cardholders. While the Principal Deputy Under Secretary of Defense (Acquisition and Technology) clarified that these courses were not required for cardholders making micro-purchases, that clarification gave some activities the impression<sup>3</sup> that a week-long course was required for cardholders. Additionally, the lack of local training has driven the need for activities to send prospective cardholders to small purchases and purchase card courses sponsored by outside organizations. These courses usually are a week in length and cover more than is required for most cardholders.

---

**RECOMMENDATIONS IV-5:**

---

The DUSD(AR) should direct the DAU to develop training materials covering regulations, policies, and procedures from a DoD perspective for optional use by all DoD Components.

The training should be no more than 4 hours in equivalent classroom training. Supplemental training can be provided by DoD activities based on the cardholder's experience and educational background, as well as the authority granted under the card program. Component-unique procedures and policies, if any, also may supplement the module developed by the DAU.

---

Cardholders receive a relatively brief introduction to micro-purchase procedures during their initial training. Printed instructions on the sleeve of the purchase card would reinforce information provided during the initial cardholder training and serve as a readily available quick reference guide. The local program coordinator's name and telephone number, as well as other points of contact, also could be included on the "sleeve."

---

**IMPEDIMENT:**

---

Some cardholders have expressed reluctance to use the card for fear of violating acquisition rules, or for some other uncertainty.

---

**RECOMMENDATION IV-6:**

---

---

<sup>3</sup> PDUSD(A&T) memorandum dated October 4, 1995. Subject: Training for Users of International Merchant Purchase Authorization Card (IMPAC).

The USD(C) should work with the GSA to request the RMBCS to provide a credit card “sleeve” printed with cardholder instructions. These “sleeves” should be distributed to cardholders at the time of training and card issuance.

---

#### **4. Letter of Delegation**

GSA procedures and the FAR require that cardholders be appointed in writing. Generally, the Head of the Contracting Activity (HCA), or authorized designee within the DoD activity, delegates the procurement authority to the cardholder.

#### **5. Receive Card**

The RMBCS forwards the purchase card to the cardholder (or the APC or AO as designated) within 5 working days from receipt of the setup information or, if received electronically, within 2 working days. Upon receipt of the card, the cardholder must activate the card by calling the Voice Response Unit provided by the RMBCS. This procedure provides an internal control to ensure that the card has been received by the cardholder.

### **B. Funding Authorization**

To preclude a violation of the Anti-deficiency Act (31 U. S. C. 1517), an authorization or certification of funds availability must occur before the initiation of a procurement. This typically is accomplished through a funds reservation (commitments or obligations) process.

A commitment is an administrative reservation of funds based on orders, purchase requests, or equivalent instruments that authorize the creation of obligations without further approval by the official responsible for certifying funds availability. An obligation is any action that legally binds the government to make a payment and is an important principle of accounting indicating the activity's position in the execution of its current programs.

Currently, funding for cardholder purchases is accomplished in various ways throughout the Department. Some activities establish funding upon initiation of the card account. Other activities use more restrictive funds control procedures, requiring a fund reservation and certification for each card purchase. For example, some cardholders are required to visit their funds manager to obtain funding or approval prior to every purchase card transaction. In such situations, the funds manager applies the necessary accounting information to a commitment document and certifies thereon that funds are available. The reservation of funds for the purchase is based on an estimated cost for the item or service. Once the funds manager certifies that funds are available, the cardholder can make the purchase. Clearly, the use of a separate funds reservation for each purchase card transaction increases the number of transactions that must be reconciled and entered into the accounting system.

When the amount of funds reserved is more than the actual cost, a reconciliation of the purchase transaction against the commitment document is performed to restore uncommitted funds, thereby ensuring that only those funds required are recorded as reserved. Each recorded commitment, obligation, and disbursement must be reconciled within the accounting system. This funds reconciliation process is a vital phase of financial management and is necessary to preclude negative unliquidated obligations or unmatched disbursements and

ensure that the expenditure is charged to the appropriate cost center. (Reference OUSD (C) Memorandum of May 14, 1996 (Appendix H)).

In some instances, cardholders may be required to purchase goods and services for multiple projects or jobs with different funding sources (e.g., revolving funds, appropriations, trust funds). As a result, cardholders and resource managers must perform manual cost distributions, at the end of the billing period, to ensure that each account is properly charged for its card purchases. In these instances, funding the card in advance creates an additional manual process to classify the costs to the appropriate cost centers or appropriation, i.e., line of accounting (LOA), which includes the Treasury symbol of the funding source. Problems associated with manual cost distributions can be obviated by the use of a cardholder automated database reconciliation system.

---

**IMPEDIMENTS:**

---

The process for funding card purchases is nonstandard within the Department and, in many instances, requires a funds authorization for each purchase card transaction. This time consuming and manual process impairs the efficient use of the purchase card.

Cardholders may be responsible for supporting projects that are funded from differing appropriations or reimbursable orders. If only a single card is issued to the cardholder, the distribution of costs must be performed manually, thereby complicating the invoice reconciliation and payment process. Conversely, the cardholder can be issued a separate card (or card number) to use for each funding source. This procedure requires the cardholder to administer several cards (or numbers) and potentially perform as many reconciliations at month's end.

---

**RECOMMENDATIONS IV-7:**

---

The USD(C) should mandate the use of an advance reservation of funds (bulk commitments or obligations) for cards used exclusively for micro-purchases.

1. Cardholder purchase limits must be consistent with the bulk funding reservation established by the RMO.
  2. Obligations must be recorded in the activity's official accounting records no later than upon payment of the certified RMBCS invoice.
  3. One card should be used per line of accounting unless an automated system is available to distribute costs across funding sources.
  4. Activities must use a cardholder automated database reconciliation system to track, reconcile and account for purchase card transactions when they have a requirement for cost accounting data or requirements to account for purchases at multiple levels (e.g., appropriations, cost centers, reimbursable work orders, or object classes).
- 

The use of bulk funding for card purchases will streamline the procurement process by eliminating the need for repetitive fund approval yet incorporate a positive funds control program. Furthermore, the implementation of other recommendations herein to automate the

purchase card process will facilitate cost distribution and funds control for those cardholders who are responsible for procurements financed by different funds or reimbursable orders.

## C. Purchase

The process of initiating a purchase begins with the identification of the requirement. The private consumer identifies a requirement, selects a vendor, and purchases the items or materials. These same steps are performed within the Department as identified in Table 2. However, the government cardholder also must determine fund availability and source of supply, as these steps are required by statute and regulatory requirements. Funding requirements were discussed in section IV. B. of this report. This section addresses the process impediments found with the identification of the requirement, determination of the source of supply, and the procurement of sensitive and accountable items (e.g. automation, hazardous materials, ammunitions.)

**Table 2**

Consumer Purchase Card	DOD Purchase Card (As-Is)	Recommended Purchase Card Process
- Identify the Requirement	- Identify the Requirement	- Identify the Requirement
- Funds Available	- Funds Available	- Funds Available
	Local Inventories FPI NISH DoD Wholesale Supply Systems Special Requirements	FPI NISH Special Requirements
- Select Vendor	- Select Vendor	- Select Vendor
- Purchase Requirement	- Purchase Requirement	- Purchase Requirement

KEY: Streamlined Procedures

### 1. Identify the Requirement

During the traditional acquisition process, a requisition document is initiated through the chain of command once a requirement is identified. The requisition document is forwarded sequentially, forwarded to the various functional elements such as resource management (for commitment of funds) and supply management (to screen for local or national inventories). If the requirement cannot be filled through the component's supply system, a purchase request then is initiated and forwarded to the local contracting activity. Both the requisition and the purchase request are formal documents used to support existing supply, finance, and procurement systems.

The purchase card was implemented within the existing DoD Component requisition and procurement approval business practices. Many cardholders or individuals are still required to initiate the same documents needed for a traditional acquisition, prior to purchasing items with a purchase card.



---

**IMPEDIMENT:**

---

Formal pre-purchase documentation is required to be initiated for a purchase card transaction. Many activities maintained the same documentation process required for purchases after the program was established. The government's purchase card process simply was inserted into the existing DoD acquisition process. Cardholders still are required to initiate formal procurement requests and other requisitioning documents prior to using the card for purchases. Often the documentation is being used to document approvals by various functional proponents. Additionally, the documentation requirement is also driving the need for service-unique automated systems to generate the documents.

---

**RECOMMENDATION IV-8:**

---

The USD(A&T) should mandate the elimination of all pre-purchase documentation requirements (e.g., formal purchase requests) placed on the cardholder or user for micro-purchases of commercial services and supplies with the purchase card. Justification documentation for local purchases of hazardous, sensitive, or critical materials is still required.<sup>4</sup> In addition, supervisory or command-level approvals above the level of the cardholder should be curtailed.

---

**2. Fund Availability**

Cardholders are required to assure that funds are available prior to purchase. Determination of fund availability is required by statute. This impediment was discussed in section IV. B.

**3. Mandatory Sources**

FAR Part 8 requires that cardholders screen selected sources of supplies before acquiring the items from commercial vendors. Cardholders must determine if the items are locally stocked, obtainable from a required source (statute), or available from a wholesale supply source.

**a. Local Inventories**

Local inventories are established by the DoD activity or installation to satisfy local demands, such as office supplies maintained in a self-service supply center. Local inventories also can consist of stocked or excess items maintained by the local supply community. FAR Part 8 requires purchasers first to check availability of needed items through local inventories.

---

<sup>4</sup> DFARS 208.7003-1(a)(3)(i), (ii) and (iii).

---

**IMPEDIMENT:**

---

The requirement to check local inventory prior to purchase acts as a disincentive to cardholders. Given the surcharge typically added to local inventories, direct purchases from commercial sources often is less expensive than obtaining supplies through the supply system. Additionally, local supply availability should decline, because the Department is attempting to reduce its on-hand stocks and maintain only those stocks where value is added.

---

**RECOMMENDATION IV-9:**

---

- A. The USD(A&T) should waive on a class basis the FAR priority to obtain commercial supplies, valued within the micro-purchase threshold, from local inventories.
  - B. The DUSD(L) will prepare a case for the DAR Council revising the FAR to eliminate the mandatory use of local inventories for commercial items. Use of local inventories should be made optional. Components should evaluate the need for base service stores and quickly move to liquidate inventories of commercial items. Responsibility for use of local inventories should be on the shoulders of the base supply organization to market themselves and prove to users that they provide the best alternative to their needs.
- 

**b. Federal Prison Industries (FPI)**

Federal agencies are required by law to obtain items manufactured or produced by the FPI prior to acquiring those items from commercial sources. In cases where the FPI is unable to supply the items as needed, waivers are granted. Typically, the FPI manufactures furniture and other related items. The FPI recently created a Quick Ship catalog for government agencies. The FPI accepts the purchase card for all Quick Ship catalog buys and guarantees that the products will be shipped within 30 days of order.

**c. Items Produced by Industries for the Blind and Severely Disabled (NIB/NISH)**

The Javits-Wagner-O'Day (JWOD) Program was established in 1971 to increase employment and training opportunities for people who are blind or have other severe disabilities and, whenever possible, to prepare them for competitive employment. Under the JWOD Program, federal agencies are required to buy products and services furnished by nonprofit agencies employing such individuals. JWOD items are available to government activities only through GSA, DLA, or specific contractors authorized to order from GSA. Items include office supplies, textiles, and industrial products such as paints and cleaners. Participating nonprofit agencies also perform many services, from janitorial/custodial services to administrative services or micrographics work. Cardholders must use catalogs or some other method to determine which items are produced by NIB/NISH.

**d. Government Printing Office (GPO)**

Title 44, U.S.C. section 501 requires that all Executive Branch printing or duplicating services be procured by or through the GPO. This measure is intended to ensure the GPO's continuing role as the central source for the production and distribution of federal printing. It

also acts to reinforce the commitment of the Congress to a centrally managed and fiscally sound program for the collection and dissemination of government information.

Title 44, U.S.C., section 501 states that: “All printing, binding and blank-book work for . . . every executive department . . . shall be done at the Government Printing Office, except:

“(1) Classes of work the Joint Committee on Printing (JCP) considers to be urgent or necessary to have done elsewhere; and

(2) Printing in field printing plants operated by an executive department, independent office or establishment, and the procurement of printing by an executive department, independent office, or establishment from allotments for contract field printing, if approved by the Joint Committee on Printing.”

The JCP required each Executive Branch agency to establish a single focal point for printing and duplication. Within the Department, the Defense Printing Service (DPS) was designated as the single focal point to consolidate printing functions through DoD Directive 5330.3. The DPS is required to be considered as the first source of supply for all printing and duplicating work within the Department.

---

**IMPEDIMENT:**

---

One of the most frequently expressed complaints of cardholders throughout the Department has been the requirement to satisfy needs through the FPI and nonprofit agencies employing persons who are blind or have other severe disabilities (41 U.S.C. 47, Javits-Wagner-O’Day Act). Cardholders often complain that it takes longer to screen for NIB/NISH and FPI items, and that the costs are often more than for similar but more desirable items from commercial office supply stores.

---

**RECOMMENDATION IV-10:**

---

1. Heads of DoD Components should require that activities streamline local procedures to include automated systems to provide screening capability by cardholders. The current GSA/AMETA training package and FEDLOG are available on CD-ROM and can provide instant screening for NIB/NISH and FPI items. Additionally, there are electronic means such as the GSA Advantage program online and the DLA’s new business practices which provide online ordering capability, such as prime vendor, quick response, and corporate contracts with low prices and quick delivery.
  2. The USD(A&T) should request the Committee for Purchase From People Who Are Blind or Severely Disabled, FPI, and the GPO to establish a threshold under which cardholders do not have to procure from their suppliers.
  3. Failing to accomplish the above recommendation, the USD(A&T) should pursue legislative measures to change these statutes to remove the requirements for micro-purchases.
-

**e. DoD Wholesale Supply System**

The Defense Federal Acquisition Regulation Supplement (DFARS) 208.7003-1, “Assignments under integrated material management (IMM),” requires all items assigned for IMM be acquired from the IMM manager except:

- ★ items purchased under circumstances of unusual and compelling urgency as defined in FAR 6.302-2.
- ★ items the IMM manager assigns a supply system code for local purchase or otherwise grants authority to purchase locally.
- ★ When purchase by the requiring activity is in the best interest of the government in terms of the combination of quality, timeliness, and cost that best meets the requirement. This exception does not apply to items (a) critical to the safe operation of a weapon system; (b) with special security characteristics; or (c) which are dangerous (e.g., explosives, munitions).

Currently, cardholders are responsible for checking the supply system for availability of managed items. Items which are in the IMM program have to be obtained through the supply system unless otherwise exempted. Under certain conditions, the DFARS authorizes<sup>5</sup> organizations to bypass the inventory manager and locally procure supplies. If obtaining the item through the supply system does not offer the best value in terms of time, cost, or quality to the activity, local purchase authority is generally granted by the supply officer. A recent change<sup>6</sup> to the DFARS eliminated the requirement to document the best value justification for local procurement of micro-purchases.

---

**IMPEDIMENT:**

Approximately 4.8 million items in the DoD wholesale supply system are centrally managed by DoD inventory managers. Organizations that require managed supplies generally should requisition those supplies from the assigned inventory manager. The requirement to screen national stocks for availability of needed items prior to obtaining them from local sources is seen as a significant impediment to cardholders. Not only is this screening seen as an impediment, but the procurement of commercial supplies through the supply system is seen as a non-value added step in the acquisition process. Local procurement authority for commercially available items may result in obtaining supplies faster and cheaper than through the supply system.

---

<sup>5</sup> DFARS 208.7003-1.

<sup>6</sup> DFARS 208.7003-1(b)(1).

**RECOMMENDATION IV-11:**

---

- A. The USD(A&T) should waive on a class basis the FAR priority to obtain commercial supplies valued within the micro-purchase threshold from IMM.
  - B. The DUSD(L) should prepare a case for the DAR Council that eliminates the requirement for micro-purchases of commercial items, assigned for IMM, be acquired from the IMM manager. This revision will state that technical screening still applies to items (a) critical to the safe operation of a weapon system; (b) with special security characteristics; or (c) which are dangerous (e.g., explosives, munitions).
- 

**4. Special Requirements**

After the source of supply has been determined, the cardholder must determine if any special requirements must be satisfied prior to purchasing the item. These special requirements may include hazardous material (HAZMAT) and sensitive items (ammunition and weapons),<sup>7</sup> review of automated data processing equipment (ADPE), and property accountability.

Valid concerns for personnel safety and environmental protection exist, and DoD activities address them in various ways. Some activities strictly prohibit the use of the card to purchase these items while others impose special reviews and pre-approvals prior to their purchase.

**IMPEDIMENT:**

---

Blanket prohibitions on purchase of accountable property, ADPE, and hazardous and classified/ sensitive materiel are significant impediments to use of the purchase card. Cardholders often are prohibited from purchasing these items or are required to obtain preapproval for each proposed buy. Although valid concerns exist, more efficient means must be used to streamline the acquisition process. Cardholders must be empowered to make decisions and be held accountable when they abuse their authority.

**RECOMMENDATION IV-12:**

---

The DUSD(L) should advise the DoD Components that HAZMAT and sensitive/classified items can be purchased with the card given appropriate screening.

- 1. Training for purchasing HAZMAT and sensitive items should be provided to cardholders. Included will be information about where they can locally obtain technical assistance in the purchase, handling, and storage of these materials.
  - 2. The ASD(C3I) should mandate the cessation of screening for ADPE and mandate that information management offices publish lists of goods and services which may be purchased without pre-purchase verification. Use of such lists should be covered in cardholder training.
  - 3. The DUSD(L) should mandate the cessation of screening for accountable property, and cardholders should receive minimal training on accountable property.
- 

---

<sup>7</sup> DFARS 208.7003-1(a)(3)(i), (ii) and (iii).

## 5. Select Vendor

Only after (a) the screening has been accomplished, (b) a determination has been made as to the appropriate source of supply, and (c) all required approvals have been granted, can the cardholder obtain a quote from a vendor. If the cardholder determines that the quoted price is fair and reasonable based on his/her knowledge of market prices, an order then is placed with the vendor. If the purchase price is not considered reasonable, the cardholder locates another source that offers a fair and reasonable price. Records of competitive bids and quotes are not required. Cardholders are required to rotate sources of supplies/services.

## 6. Purchase Documentation

Whether a purchase is made over-the-counter or by telephone, a document must be retained as proof of purchase. These documents later will be used to verify (reconcile) the purchase shown on the cardholder statement issued at the end of the monthly billing period. If the purchase is over-the-counter, the cardholder retains a copy of the charge slip, which becomes the accountable document. If the transaction is made over the phone, the cardholder records the transaction and maintains the documentation, which should include the vendor's name, price quote, item identification, and date of purchase, for later reconciliation with the monthly statement. The cardholder also should request the vendor to send a receipt. The impediments and recommendations to this step are discussed in section D.

## 7. Property Accountability

Once the item has been acquired, the cardholder will so inform the office responsible for maintaining property records. The types of property that typically are recorded are accountable property, ADPE, and sensitive items.

We identified the \$300 threshold for property accountability as a non-value added impediment to the expanded use of the card. As a result, new guidance recently was released by the USD(C). (Annex I). The memorandum modifies provisions of DoD 7000.14-R to raise the property accountability dollar threshold to "at least the dollar value of the micro-purchase threshold (currently \$2500)." Material that is "classified" or "sensitive" will continue to be maintained on accountable property records, regardless of cost, and DoD Components may maintain records on "pilferable" items costing less than the micro-purchase threshold.

The logistics and information management communities will be able to obtain information on purchases for those items mistakenly not logged by using surveillance reports and data generated by cardholder automated reconciliation systems supporting the purchase card program. This is discussed further in section IV. F.3, "Surveillance by the Logistics Community."

## D. Account Reconciliation Process and Responsibilities

Reconciliation is the process by which the holder of a purchase card (1) identifies questionable items for resolution and (2) verifies the cost, quantity, vendor, destination, receipt, and other pertinent information for a given transaction before transmitting payment substantiation to the billing and disbursing offices.

The cardholder is responsible for maintaining a documented audit trail for every transaction reported against his or her purchase card account. Currently, most DoD cardholders are, at a minimum, maintaining manual paper-based records for every purchase card transaction. Any time a payment is authorized for a purchase card purchase, whether it is done over-the-counter or by telephone, a substantiating document is retained by the cardholder as proof of the purchase. These documents are used to verify the purchases shown on the cardholder's SOA that is issued by the RMBCS at the end of each monthly billing cycle.

For over-the-counter transactions, the accountable document that substantiates the transaction typically is the customer copy of the charge slip. The substantiating document for orders placed by telephone generally is a manual log (or, where available, an automated log) maintained by the cardholder. However, telephone orders also are verified by copies of purchase requests, receiving reports, packing or shipping forms, or other documents that are retained by the cardholder.

Each month, the cardholder compares each transaction record with data appearing on his or her monthly SOA. If there are no discrepancies, the cardholder annotates each transaction to incorporate any required accounting, procurement, cost distribution and/or management information that may be stipulated by the DoD Component responsible for administering that purchase card account.

The purchase card program currently requires that each cardholder be assigned an approving official (AO) who is registered with the RMBCS prior to the bank issuing a purchase card. The AO is responsible for—

- ★ Reviewing the cardholder's monthly SOA.
- ★ Authorizing the cardholder's purchases.
- ★ Ensuring that the cardholder's SOA is accurately reconciled.
- ★ Approving the SOA before submittal to the designated billing office for payment.

If a cardholder receives an SOA that lists a transaction for merchandise that has not been received, or a transaction which includes an erroneous charge (e.g., sales tax), it initially is his or her responsibility to seek vendor correction of that error. Failing this vendor resolution, the cardholder completes a Cardholder Statement of Questioned Item (CSQI) that becomes part of the transaction record. The cardholder normally submits the CSQI through the AO to the local APC, who then forwards it to the RMBCS. The RMBCS credits the questioned item to the account until the dispute is resolved. If the questioned item is filed within 60 days of receipt of the invoice, the RMBCS will assist in reconciling that item.

As a consequence of its operational diversity and the decentralized approach taken toward program implementation, the Department has not realized the full potential benefits of the card or greatly expanded its usage. This is because (1) the utility of the card is being artificially constrained and (2) opportunities to eliminate much of the paperwork from traditional procurement and financial reporting processes often are being overlooked.

By contrast, the envisioned reconciliation process will incorporate the following features to simplify and facilitate card usage:

- ★ **RMBCS Download.** The automated reconciliation process will begin with weekly transmissions of transaction data from the RMBCS to the Defense

Manpower Data Center (DMDC). The DMDC will develop capabilities to download all DoD transaction data as a flat file and then translate that data into a user-friendly format. This formatted data then will be accessible by authorized users (e.g., cardholders, RMOs, or APCs) throughout the Department via the Internet or electronic bulletin board).

★ **DMDC Database Accessibility.** Depending on local capabilities, users will be able to access their data using one of at least three methods.

- ◇ Electronic transmission from the DMDC into the cardholder's personal computer (PC)-based relational database management and automated reconciliation system. This system is described in more detail below.
- ◇ Through a client/server configuration. The client segment, the automated reconciliation/database management system, would run on a Local Area Network (LAN) terminal. Users would access the DMDC database "server" via the Internet. Data would reside at the DMDC.
- ◇ Through real-time use of a "dumb" terminal, using character-based software for direct online access to the DMDC database.

These three options would serve virtually any DoD activity with access to a PC and a modem. However, the link to the DMDC formatted transaction data is only part of the reconciliation process (see Impediments and Recommendations, below).

★ **Cardholder Record of Transactions.** Another critical part of the reconciliation requires that cardholders record each transaction. This will be accomplished using a LAN or stand-alone version of the relational database system. Cardholders will enter transaction information after each use of the card, and select from user-friendly pull-down menus, such data elements as: appropriate descriptions of items or services purchased, vendor information, and associated accounting data. The system will display the profile accounting information specified when the cardholder's account was established. Cardholders then can either accept their default accounting codes or select other codes from pull-down menus. The reconciliation software will prevent users from entering inaccurate accounting data by verifying it against a table of valid accounting codes. Each time the cardholder enters a transaction the system automatically will draw down the available funding balance from the initial bulk commitment amount.

★ **Automated Reconciliation.** At least monthly, cardholders will access the DMDC database using one of the options described above. The automated reconciliation system then will match this "electronic statement of account" against the cardholder's automated transaction record. The system will produce a discrepancy report listing entries that the cardholder must resolve. To complete the reconciliation, cardholders must verify receipt of goods or services, address any discrepancies, and identify questionable or pending items. (See Impediments and Recommendations, below).

★ **Automated Payment Invoice.** The reconciled "electronic statements of account" will be routed electronically to the cardholder's designated billing office, where the system automatically will consolidate transactions by appropriation. (See section E. regarding establishing the RMO as the designated billing office with



responsibility for invoice certification.) On a monthly basis, the RMO will certify this consolidated data as an “electronic invoice” for transmission to the DFAS for payment. (See Impediments and Recommendations, below.)

- ★ **Agency Program Coordinator Responsibilities.** The APC has overall responsibility for implementation and management of the purchase card program within each DoD activity. According to the GSA contract, each using agency must designate an APC, who functions as the agency’s primary liaison to the RMBCS and the GSA and represents the activity on technical and administrative matters relating to the GSA contract. Within each organization, this individual has overall responsibility for the purchase card program within limits of his or her delegated authority. The APC also—

- ◇ Is responsible for account setup, account maintenance/cancellation, report selection and distribution, contract orders, merchant activity controls, development and administration of the agency’s purchase card training program, and overall program oversight.
- ◇ Ensures compliance with the GSA contract, the FAR and other applicable regulations and statutes, and any applicable funding controls.
- ◇ Receives some reports exclusively. The cardholder and billing office receive reports that pertain only to the billing requirements submitted for payment.
- ◇ Has exclusive online access to RMBCS files through the RMBCS Remote Access software.

- ★ **Management Reports (via RMBCS, DMDC, Database Management System).**

There is an urgent need to expedite dissemination and facilitate use of RMBCS reports and accounting data to end-users. To achieve this, the DMDC—in coordination with the RMBCS—will examine and develop capabilities to download all pre-formatted RMBCS reports [e.g., Disputed Transaction Status by Agency (F107), Quarterly Merchant Activity Report (R900), or Daily Transaction Report (G067)] via SUPERTRACS (or some alternative means), as well as all DoD transaction data as a flat file, and then translate this data into a user-friendly format. This formatted data will be accessible by authorized users (e.g., cardholders, RMOs, and APCs) throughout the Department. (See “Impediments” paragraph 5 and “Recommendations” paragraphs 2 and 3, below.)

## IMPEDIMENTS:

The Department lacks a standardized cardholder-level reconciliation system. To date, no Department-wide standardized cardholder reconciliation database management system has been prescribed. Since purchase card implementation within the Department has been decentralized, various local systems have evolved to accommodate the cardholder, the AO, and other needs. The absence of a well designed cardholder reconciliation system creates a major impediment to greater card usage. While each locally developed system currently addresses certain common functions, each is different to the extent that it has been customized to (1) meet the real and/or perceived management information needs of the DoD activity and

(2) ensure the integrity of that activity's financial management system. Some of these cardholder level systems are highly inefficient, cumbersome, time consuming and paper intensive—sometimes requiring multiple levels of review and, in some instances, duplicating the reconciliation function.

DoD operating programs are highly diverse, making them inherently resistant to a standardized “one-size-fits-all” approach to purchase card implementation. Heretofore, purchase card implementation within the Department has been decentralized and uncoordinated. Program control currently rests with each DoD Component and typically is delegated to subordinate organizations.

The purchase card program is laden with cumbersome, multi-level, and labor intensive reviews, and reconciliation requirements and disputes resolution procedures are time consuming, costly and discourage card usage. (See section E, Billing Office Impediments.) In this regard, the AO constitutes a redundant level of review and oversight that is inconsistent with a program designed to streamline the purchase of relatively low cost supplies and services. This oversight discourages card usage and creates needless delay in both the acquisition and payment processes. To the extent that payment to the RMBCS is reliant upon timely completion of the reconciliation process, the Department is experiencing significant delays in invoice payment and incurring substantial interest penalties under the Prompt Payment Act.

Existing reconciliation and reporting systems do not share a common database structure and/or fields that would facilitate automated reconciliation and reporting to the DFAS.

Dissemination of RMBCS reports through conventional mail in hard-copy format diminishes their utility and the users' ability to manipulate, customize, and analyze data effectively.

---

**RECOMMENDATION IV-13:**

---

The USD(C) and DUSD(AR) should establish DoD-wide minimum core standards and policies for purchase card account reconciliation to both simplify and expedite the transaction validation and disputes resolution process. Such standards and policies should—

1. Eliminate multiple layers of review. No more than one level of review for cards having “per purchase” limitations of \$2,500 or less.
2. Eliminate the AO function. As with other job duties, each cardholder will be primarily responsible to his or her supervisor for monthly card usage and the SOA reconciliation. Elimination of the AO reduces the number of redundant reconciliations of the statements of account, Business Summary and the RMBCS invoice. Implementation of the local RMO as the billing office will facilitate the necessary verifications prior to submitting the invoice to DFAS for payment. The RMO will be responsible for invoice certification prior to forwarding to the disbursing office for payment.
3. Redefine and expand the functions and responsibilities of the local APC and the RMO within the context of the purchase card program as follows:
  - ◇ APC. Responsible for overall program implementation, recurring quality assurance reviews (which may be reassigned), and followup on any potential problems detected by a knowledge-based computer screening process.

- ◇ RMO. Responsible for establishing controls to ensure adherence to funding limitations established by user activities and official certification prior to forwarding the RMBCS invoices to the disbursing office for payment.
  - ◇ Definition of minimum documentation and data to be maintained and the retention period to be observed by cardholders for each purchase card transaction to support reconciliation and payment certification.
  - ◇ Documentation received by cardholders from merchants to support purchase transaction using the purchase card will be retained for one (1) year.
  - ◇ Documentation at cardholder level to support the cardholder certification forwarded to the billing office will be retained for three (3) years. This documentation includes—
    - SOAs from the RMBCS
    - Cardholders manual and electronic logs of purchases
  - ◇ Documentation at the billing office level supporting a certified invoice for payment will be maintained for a period of six (6) years and three (3) months. This documentation includes—
    - Certified RMBCS invoices
    - Certified statements or electronic files received from cardholders supporting the cardholder amount on the invoice
    - All NIAs which change the amount of the invoice
- 

---

**RECOMMENDATION 14:**

---

The USD(C), in coordination with the GSA, should request the RMBCS to transmit weekly electronic (flat file) downloads of all DoD transactions to the DMDC which will, in turn, reformat that data and make it available via Internet or electronic bulletin board to cardholders.

---

---

**RECOMMENDATION IV-15:**

---

The DMDC, in coordination with the RMBCS, should examine and develop capabilities to download all RMBCS reports via SUPERTRACS or alternative means and all DoD transaction data as a flat file and then translate this data to a user-friendly format. This formatted data could be accessed by authorized users (e.g., cardholders, RMOs, or APCs) throughout the Department. The transaction data shall be accessible to each cardholder who uses a designated “migratory” database management and automated reconciliation system.

---

---

**RECOMMENDATION IV-16:**

---

As an interim measure, pending development of a Department-wide migratory database management and automated reconciliation system, the USD(C) should direct DoD Components to adopt one of the automated reconciliation systems currently in use within the Department that best meets its needs. The following alternative systems are recommended for consideration by the Components:

- ★ Defense Mapping Agency Commercial Purchase Card Access Database.
  - ★ Washington Headquarters Services Automated Purchase Card Reconciliation, Transaction Log, and Cost Distribution System.
  - ★ Naval Air Warfare Center, China Lake, Requisition Automated Processing System (RAPS).
  - ★ Military District of Washington (DOA) “Check Book.”
- 

---

**RECOMMENDATION IV-17:**

---

The USD(C) should direct the formation of an interservice, interdisciplinary task group to develop a migration database management and automated reconciliation system that will incorporate the following features:

1. The capability of operating within either a “stand-alone” or local area network environment.
2. A reconciliation log/checkbook module with programmed edits and automatic draw-down capability against authorized funding.
3. The use of pull-down menus to enable cardholders to enter transaction information after each use of the card. Pull-down menus will include but not be limited to—
  - ◇ Description of item(s) or service(s) purchased.
  - ◇ Vendor information.
  - ◇ Cost distribution and other accounting data.
4. Display of the profile/default accounting information established when account was setup. The cardholder may opt either to accept default codes or modify codes via pull-down menus.
5. An ad-hoc capability to pull reports from the RMBCS database through the DMDC interface.
6. An ability to receive and transmit data electronically (i.e., from DMDC/and to DFAS via an electronic interface capability). Data will reside at the DMDC and be fully accessible by any DoD activity with a PC and modem via:
  - ◇ A client/server configuration.
  - ◇ Internet connection.

- 
- ◇ Real-time use of a “dumb” terminal, using character-based software for direct online access to the DMDC database.
  - 7. The capability for cardholders to approve or dispute transactions online.
  - 8. An ability to match automatically an “electronic statement of account” against the cardholder’s automated transaction record/log and generate a discrepancy report that must be resolved by the cardholder.
  - 9. An ability to route electronically reconciled “electronic statements of account” to each cardholder’s designated billing office; automatically consolidate transactions by appropriation and transmit consolidated data to the payment office as a certified “electronic invoice.”
  - 10. The capability to be customized to meet both minimum/core data collection and reporting requirements of the Department, and to accommodate any unique supplemental requirements that subsequently may be defined by the end-user.
  - 11. Password protection/security protection.
  - 12. Automated interface with logistics systems.
- 

## E. Finance and Accounting

### 1. Billing Office Functions

The R063 (Financial Summary Report) is the RMBCS official invoice submitted to a designated billing office for payment purposes. The billing office is designated when an account is established with the RMBCS. Within the Department, designated billing offices vary to include the AO, APC, or the DFAS. As a result, the current reconciliation process involves multiple reviews and approvals of the R063, thereby creating redundancy in invoice reconciliation and delay prior to official certification for payment. As an example, when DFAS is the designated billing office, both the card holder and the AO are still performing a complete reconciliation.

The R063 is received from the RMBCS in hardcopy format, even though the existing contract offers rebates for electronic receipt of the invoice and electronic transmission of the payment. Upon receipt, the billing office stamps the current date on the invoice and, under the Prompt Payment Act (PPA), payment is made not more than 30 days after the receipt date. The billing office reviews the R063, comparing charges on the invoice with data from an R090 report (Business Summary) and the cardholders’ Statements of Account (SOA). This review ensures that (1) each transaction has been approved for payment; (2) a copy of the Cardholder Statement of Questioned Item (CSQI) is attached if a transaction is being disputed; and (3) funds are available. The billing office also may need to prepare a cost distribution report summarizing lines of accounting data to support local management needs for requiring cost information at the cost center level. Additionally, a Notice of Invoice Adjustment (NIA) is required if there is an invoice adjustment for disputed items. The billing office then forwards this information to a disbursing office for certification and payment of the invoice.

Generally, the disbursing office has been responsible for the certification of invoices for payment. Certification of the invoice payment necessitates a review of accounting records to ensure that funds have been “formally reserved” for purchases and that the correct type of funding was cited. Problems with negative unliquidated obligations (NULOs) or unmatched disbursements (UMDs) occur when fund reservations were not established or cannot be identified in the accounting systems. A recent legislative change (see Appendix J) permits the appointment of a certifying officer, with pecuniary liability, outside of the disbursing office. This will permit the appointment of an official within the RMO as the certifying officer.

---

**IMPEDIMENT:**

**Inconsistent Designation of Billing Offices.** The designation of billing offices is not consistent throughout the Department. This has led to problems such as the untimely processing of invoices, difficulty in documenting and tracking adjustments to billed amounts, problem cost distributions, and redundant invoice reviews.

---

**RECOMMENDATIONS IV-18:**

The USD(C) should mandate that the RMO or the financial management official designated by the RMO be the billing office and maximize electronic receipt of the R063 invoice.

In designating the RMO as the purchase card billing office, one office becomes responsible for verifying that funds for the RMBCS invoice have been reserved and that available funding is adequate prior to any disbursements. The RMO has responsibility for the accuracy and validity of the activity’s accounting data. This includes ensuring that disbursements are posted against the corresponding funds reservation. This should prevent NULOs and UMDs related to RMBCS invoices. It also will facilitate tracking and followup of NIAs to preclude late payments and interest on disputed items. Electronic receipt of the R063 would streamline the reconciliation process and facilitate the expeditious processing of bills, thereby maximizing potential refunds from the RMBCS.

---

**RECOMMENDATION IV-19:**

Pursuant to 31 U.S.C. 3325, the USD(C) delegate to the RMO certification authority.

Designation of the RMO as the certifying officer will consolidate accountability and responsibility for the certification of RMBCS invoices within a single office. This eliminates redundancy in reconciliation and review and facilitates timely payments, correct posting to the accounting records, and cost distribution.

---

**2. Accounting**

**General.** Accounting is the process of classifying, recording, analyzing, and reporting financial data to ensure the proper, efficient, and effective use of government resources. The Chief Financial Officers (CFO) Act and other statutes, regulations, and standards drive the requirements for governmental accounting. Information contained in DoD accounting

systems is segregated by fund type (e.g., appropriated, revolving, trust) to support development of Future Years Defense Plans (FYDP), Program Objective Memoranda (POM), and budget submissions; report performance metrics for Government Performance and Results Act (GPRA) and National Performance Review (NPR); monitor budget and project execution at the activity level; and also bill and collect for sales and reimbursable orders.

DoD managers depend on the accuracy and timeliness of data from the supporting accounting systems. Thus, one goal of accounting systems design is to minimize manual input through the use of single (source) data entry processes. This means that transaction data is entered only one time but is used to populate multiple systems or modules, e.g., a contracting officer enters data into the procurement system, and the related financial data then is interfaced to the accounting module without rekeying that data. Ideally, data originating external to the financial management community is entered into its systems through automated interfaces from functional systems.

To facilitate accounting for the Department's various funding types, a line of accounting (LOA) is used to display the classification information associated with a financial transaction. This alpha-numeric string of data represents information that links (and provides) an audit trail between the funds used and the activity creating the financial transaction. The construction of data elements in the LOA also identifies costs to the appropriate cost centers to (1) track and bill reimbursable orders; (2) develop standard pricing for revolving and trust fund products; and (3) provide information for management decision-making. The LOA also gives the supporting accounting offices the necessary details to properly account for funds, such as matching invoices to obligations prior to disbursements (prevalidation). The LOA detail is summarized in the general ledger for financial reporting purposes, e.g., CFO statements and budget submissions.

**“As-Is” Process.** The IMPAC program was implemented within existing acquisition, logistical, and financial processes. Although use of the IMPAC has created a paradigm shift in the acquisition process, the need still exists for timely payment and financial data to support management decisions, track budget execution, and accounting. Also, the object class in the LOA provides information related to the nature of the costs (e.g., personnel, supplies, services). Currently, purchases with the IMPAC can fall within four basic object classes: printing (24), services (25), supplies (26), and equipment (31). Each DoD Component further subdivides the basic object classes to garner additional detail about the nature of the cost and includes those data in the LOA ostensibly to monitor budget execution at the program or installation level. The LOA normally is obtained for the accounting system from contract and requisition data.

Expansion of the IMPAC program has dramatically increased the number of transactions—with significant growth still to come. In response, numerous activities have developed local systems to assist cardholders or resource managers to perform necessary reconciliations. Few systems were developed to facilitate financial system updates, although some activities have initiatives to develop links to their supporting financial systems. While some systems summarize the financial transactions to a program or project level, thereby reducing the number of entries required, most do not contain that functionality. For example, upon submission for payment, each line on the SOA is annotated with an LOA. Although separate LOAs capture information required for financial management, separate LOAs are also

necessary for program management. The input of that information into the accounting system(s) becomes time consuming and prone to error due to lack of automated interfaces.



---

**IMPEDIMENTS:**

---

- A. A streamlined business practice for capturing detailed accounting data has not been implemented throughout the Department. By overlaying existing rules and procedures, rather than reinventing them for purchase card use, many activities continue to follow cumbersome approval and funding procedures for processing requirements.
- B. Many activities continue to assign a separate LOA to each purchase card transaction. The data in the LOA contains more than just the type of funds and the object class. Rather, it contains data elements to identify costs to: cost centers, reimbursable projects, job order numbers, and accounting stations. As will be discussed in section E.3 below, the use of multiple LOAs injects a labor intensiveness and likely transcription errors into the SOA and invoice (R063) reconciliation and payment processes. The DFAS also must manually post an accounting transaction for each LOA.

---

**RECOMMENDATIONS IV-20:**

---

The USD(C) should direct the use of summary-level financial information (one LOA per card) in those cases where there is not a compelling argument to collect the data at a lower level (e.g., general office supplies).

When more detailed accounting data is required (e.g., to support reimbursable billings, charge multiple appropriation/funds, or collect standard pricing data), the cardholder's automated tool can summarize card purchases to each of the unique LOAs. This automated tool should minimize the manual efforts associated with the reconciliation and posting of the financial transactions. Further, an automated interface between the cardholder's automated tool and the supporting accounting system(s) must be developed in order to record IMPAC transactions necessary to track activity or project costs and to facilitate the posting of accounting transactions. With the capabilities of database management systems, LOAs should be summarized prior to their entry into the supporting accounting system(s).

---

---

**RECOMMENDATION IV-21:**

---

The USD(C) should mandate a single object class for micro-purchases made with the purchase card.

---

---

**RECOMMENDATION IV-22:**

---

The DoDIG, with the assistance from the DMDC, should develop a stratified sampling program to estimate any detailed breakout of the object class needed at the Component/Major Command level.

---

### 3. Invoice Processing and Payment

The GSA contract with the RMBCS serves as the authorization for the IMPAC program, including payment of the RMBCS invoice. The official invoice from the RMBCS is called the R063 (Financial Summary Report) and is issued for each billing cycle. The invoice, usually consolidated at DoD installation level (Level 4), reflects the AO and cardholder summary level information. The requirements of the Prompt Payment Act (PPA) and OMB Circular A-125, "Prompt Payment," apply to the RMBCS contract. Each cardholder receives a detailed SOA from the RMBCS for each billing cycle and must verify that SOA against his or her purchase card transaction records and then validate the statement for follow-on certification and payment. The RMBCS program offers incentives to customers who receive statements electronically and make payments via electronic funds transfer (EFT).

There is no standard invoicing and payment procedure throughout the Department for processing RMBCS invoices. The basic payment process requires the matching of three documents: (1) a proper invoice, (2) a contract, and (3) the receiving report(s). This matching provides the traditional separation of duties (i.e., internal controls) to assure proper payments and reduce the likelihood of fraud. Matching can be accomplished electronically so long as the necessary internal controls are part of the total process. Also, within the financial management community, there must be a separation of duties for internal control purposes between the certification for payment function and the disbursing function.

Under the current purchase card program, each DoD activity establishes its designated billing office, which may or may not be the paying office, to receive the RMBCS invoice. The destination of these invoices vary and include the AO, the Agency Program Coordinator (APC), DFAS OPLOC, or the installation RMO. The individual who receives the invoice may be a financial person, a contracting person, or an individual in another professional series. Therefore, the receipt of the invoice is occurring at different places by individuals with varying skills. This is significant since the receipt of the invoice starts the PPA "clock" (i.e., day 1 of 30 days). Therefore, receipt of the invoice in an office other than a RMO may result in early calculation of the 30-day payment "window," with associated interest penalties in cases of untimely payment. The method of receiving the RMBCS invoice is a non-standard process; therefore, receipt of those invoices is an impediment.

The reconciling process begins after receipt of the RMBCS R063 invoice. Of the three required documents cited above, the receiving report(s) represents the biggest challenge to timely and effective invoice payment. Reconciliation of the SOA (in effect the receiving report) to the invoice currently is performed at as many as five levels before payment of the invoice. At some locations, the invoice is being sent to the DFAS OPLOC with a certified cardholder statement(s) before payment is issued. These payments may be delayed until all cardholder reconciliations are received in order to match with the invoice. Such delays often require followup requests from the DFAS OPLOC through the APC with replies returned through those channels. The incurrence of interest penalties is a frequent result of this inefficient process.

The entry of LOAs relative to purchases noted on the official invoice range from (1) entering separate or summarized lines directly on the invoice; (2) including a summarized attachment to the invoice; and (3) sending cardholder statements with lines of accounting, manually noted on the reconciled statements, for consolidation at the DFAS OPLOC. Reconciliation is redundant with repetitions at each level (often a manual process) from the cardholder to the

paying DFAS OPLOC. Also, the invoice often is adjusted before payment rather than allowing the CSQI process (previously discussed) to be completed. These adjusted items become difficult to track and, if approved, appear on subsequent invoices, thereby distorting the current invoiced amount. Almost invariably, the questioned items ultimately result in payment due, with resulting late payment penalties.

Late payments also impact negatively on agency refunds from the RMBCS. Furthermore, based on a cardholder's deductions on the SOA, the certified amount for payment is reduced, thereby creating a partial payment. The partial amount owed on the initial invoice also may generate an interest penalty when paid. Those questioned items that are resolved are added to the following monthly invoice amount and paid; however, the disputed items must be tracked until resolved to the original invoice. The RMBCS does not re-invoice for questioned items, nor do the invoices cite beginning balances. Furthermore, according to the APC Guide, the "Notification of Invoice Adjustment" (NIA) form must be prepared and provided when any portion of the invoice is not paid. After the invoice is reconciled with the SOAs and matched to the contract requirements, the certification is performed, typically by the DFAS. In summary, the reconciliation process is very cumbersome and not standard, resulting in an impediment.

After reconciliation, the certification and payment processes occur. The responsibility of the certifying officer is to verify that payments made by the government are legal, proper, and correct. The certification process includes the prevalidation of obligations, i.e., ensuring that funds are available for each LOA placed on the invoice. A certifying officer is held personally accountable and pecuniary liable for the certified accelerated payments.

Currently, within the Department, certification and disbursement functions both are performed by a DoD disbursing officer (e.g., a DFAS OPLOC). After certification, the payment is scheduled and made. The current method of payment normally is by Treasury check (with limited use of EFT). However, there are organizations in the federal government that pay upon receipt of the invoice and later reconcile the SOAs to the invoice, i.e., delay disputes (which can be made up to 60 days later under the RMBCS contract). This approach allows for faster payment, avoids PPA penalties, and maximizes the bank refunds. However, the certifying officer in such cases incurs additional personal risk and responsibility. Because the reconciliation and certification processes also are non-standard, they are additional impediments.

---

**IMPEDIMENT:**

---

Based upon review of the traditional invoice process and the existing DoD Component processes under the RMBCS program, the internally generated impediments can be improved (if not eliminated) by using the recommended solutions noted in this section. These recommendations are provided to streamline the process, remove impediments, and make invoice reconciliation, tracking, and payment more efficient and effective.

---

**RECOMMENDATIONS IV-23:**

---

The USD(C) should mandate the following process improvements:

- A. **Invoice Receipt Process.** The Resource Management Office (RMO) or an office designated by the RMO will be designated as the billing office. Because the RMBCS R063 is the official invoice, the designation of the RMO is critical to the Department's ability to comply with the provisions of the PPA and OMB Circular A-125. The RMO offers the advantages of being very familiar with fiscal law, lines of accounting (LOAs), and pre-validation of obligations, and has a vested interest in timely payments and potential RMBCS refunds.

**Invoice Reconciliation Process.** The cardholders will reconcile their SOAs to individual purchase records, and the RMO will reconcile the SOAs to the invoice. Any questioned items will be resolved by the cardholder or designated dispute office. However, to effect payment, the RMO must certify the invoice, summarize the LOAs, and forward them to the supporting DFAS payment office. The DFAS should reconcile only the total of the LOAs against the total invoice amount. Any discrepancies will be worked with the applicable RMO.

**Invoice Certification (Certifying Official) Process.** Consistent with recommendation number IV-19, an individual in the billing office will be delegated the authority to certify the invoice and will be held accountable for the validity of payments to the RMBCS.

The certifying officer (RMO) will summarize the invoice by LOAs at the cardholder level. The RMO must send the certified invoice to the payment office no later than (NLT) 20 days after the date-stamped receipt date or date on the invoice, as appropriate. In consideration of the activity's processing time, the paying office's scheduling time, cash management, and provisions of the PPA, the invoice should be paid on the 23rd day. This will allow the payment to be made timely and maximize the RMBCS refund to the extent prudent. The cardholder reconciliation and related processing of disputed items shall occur no later than the next reporting cycle.

Should the certifying officer fail to receive SOA reconciliations from all cardholders in sufficient time to allow the invoice to be paid timely (i.e., within 30 days), the invoice shall be certified in full and forwarded to the disbursing office. The certifying officer then will follow-up with delinquent cardholders to ensure that SOA reconciliation is accomplished.

- B. **Delayed Dispute Process.** To avoid unnecessary adjustment problems associated with the CSQI and NIA processes, no NIA shall be filed prior to the receipt of the subsequent invoice from RMBCS. The cardholder has 60 days from the date of the original invoice on which a questioned item appears to file a CSQI. The cardholder should first attempt to resolve the questioned item directly with the vendor. The successful resolution of the questioned item will reflect the adjustment on the subsequent invoice, thus keeping the account in balance with the RMBCS. If the CSQI is not resolved on the subsequent invoice, the invoice can be adjusted through the NIA process.
- C. **Invoice Payment Process.** The supporting disbursing office ideally will receive the certified invoice electronically for processing and will make payment by electronic funds transfer to the RMBCS. Payment will be scheduled in accordance with the PPA and OMB Circular A-125 to maximize the refund from the RMBCS. All DFAS locations will process RMBCS payments using standardized procedures as documented in the DoD Financial Management Regulation.

## F. Surveillance and Management Oversight

### 1. Card Misuse Detection Program

- ★ The controls currently in force to ensure payment accuracy and appropriate use of the purchase card include—
  - ◇ The cardholder's dollar transaction and billing cycle spending limits.
  - ◇ The merchant type codes authorized or blocked for purchase card use.
  - ◇ The office billing cycle spending limit.
  - ◇ The cardholder's reconciliation of the SOA.
  - ◇ The AO's verification of the SOA and the Master Account Summary Report (R090).

Many DoD activities that use the purchase card do not maintain a formal in-place surveillance system to detect purchase card misuse. A few federal agencies, (e.g., the U.S. Department of Agriculture and the U.S. Postal Service) have developed systems to provide a surveillance capability to aid them in identifying potential purchase card abuse.

The U.S. Postal Service, for example, uses the Inspection Service IMPAC Scanner (ISIS), an automated query and ad hoc reporting program developed as an investigative tool by the Postal Inspection Service. It is available as a desktop oversight tool for postal inspectors, APCs, area and district finance managers; and purchasing, materials, and finance personnel at the headquarters level. The ISIS provides access to RMBCS transaction-specific data for each cardholder and AO that are summarized by merchant name, merchant city, date of transaction, standard industrial classification (SIC) code, and dollar value or range of dollar values. The ISIS offers a simple, effective analytical and oversight capability for the IMPAC program.

The retention period for auditable billing files is 6 years and 3 months (Ref. GAO Policies and Procedures Manual for Guidance of Federal Agencies, Title 8, General Records, Schedule 6). The timeframe between payment and reconciliation of the purchase card program is very short in contrast to more traditional government purchasing methods. Consequently, retention requirements for the purchase card program must be re-evaluated.

### **IMPEDIMENTS:**

No standardized Department-wide automated system, investigative procedure, or instruction is designed specifically to detect fraud or misuse of the purchase card. With the proposed elimination of the AO and other pre-approvals for card usage, another technique is needed to maintain a reasonable level of risk.

**RECOMMENDATION IV-24:**

---

The USD(C) should task and fund a centralized DoD site, such as DMDC, to receive, manipulate, and provide data from the RMBCS Statement Detail Record Layout (997 flat file) to assist in detecting purchase card misuse. A knowledge-based system of automatic edits and computer editing/statistical testing methods that is accessible to all organizational levels should be developed as a proactive and effective tool to assure that incidents or emerging patterns of IMPAC misuse or fraud are detected and appropriate corrective measures taken. These tools should be flexible to allow for easy modification to accommodate changing requirements. This type of automated tool will dramatically reduce surveillance time, provide more adequate controls against waste, fraud, or misuse and offer the ability to better track and monitor the purchase card program.

---

**RECOMMENDATION IV-25:**

---

The DoDIG Quantitative Methods Division should develop a standardized methodology and sampling techniques to evaluate compliance with prescribed policy and procedures for purchase card usage. This methodology should include—

1. Initial Edit and Quality Criteria.
  2. Edit Process.
  3. Quality Assessment.
  4. A Feedback Mechanism for Adapting Edits.
- 

**RECOMMENDATION IV-26:**

---

Heads of DoD Components, in coordination with supporting audit, Comptroller and Procurement organizations, must provide sufficient, non-impeding, and adaptive methods to assure that purchase card misuse and fraud is contained (e.g., DoDIG-developed knowledge-based system).

---

**2. Oversight/Surveillance**

Currently, a strong post-transactional internal control exists for every purchase card transaction. Within each organization each cardholder has an AO who is responsible for, at a minimum, reviewing the cardholder's monthly statements and verifying that all transactions were for necessary government purchases and in accordance with the FAR, DFARS, and the organization's FAR supplements and internal procedures. In some cases, after the AO review, a monthly review is performed by the APC or resource management office. Additionally, an organization's purchase card program may be assessed annually as part of an Internal Management Control (IMC) program (DoD Directive 5010.38). In addition to these internal reviews are external reviews. Reviews in the form of audits are conducted on all the micro-purchases. These may include procurement management reviews (PMRs). A PMR is a review by an experienced contracting group outside the local organization—usually every 3 years. Other unscheduled external audits include those by the DoD Inspector General, General Accounting Office (GAO), Service Audit Agencies, and the like.

---

**RECOMMENDATION IV-27:**

---

The Heads of the DoD Components should ensure that—

1. Oversight beyond that envisioned in this report is strongly discouraged. The existing programs, along with elimination of the AO and adoption of the automated processes to be discussed, are sufficient to ensure public accountability.
  2. Review of purchase card transactions is part of each activity's IMC process. PMRs should continue to examine purchase card transactions as part of an external audit. However, for those organizations with purchase card authority only, alternative review methods (e.g., annual Navy desk audits) may be used. It is not the intent here to change the existing PMR process.
- 

**3. Surveillance by Logistics Community**

Traditionally, many components and activities within the Department have routed requisitions through their logistics or supply offices prior to making purchases. In many organizations today, this administrative requirement is being applied, as well, to purchase card transactions.

---

**IMPEDIMENTS:**

---

The requirements that cardholders (1) check with logistics/supply personnel prior to purchase and (2) ensure identification of accountable items, are impediments in utilizing the purchase card. The steps create a disincentive for card use and often delay the procurement process by several days. This defeats the streamlined process for which the card was developed and intended. The following recommendations address the management oversight function of surveillance by the logistics community.

---

**RECOMMENDATION IV-28:**

---

The USD(C) should ensure that functional offices are given access to surveillance reports and data generated by the automated systems supporting the purchase card program.

---

---

**RECOMMENDATION IV-29:**

---

The Heads of the DoD components should direct subordinate organizations to revise internal procedures to adopt widely the new property accountability threshold. Discourage flagrant use of pilferable categorization of supplies.

---



## V. PAYMENT

### A. Introduction

This section addresses the use of the purchase card as a method of payment for existing, separately-funded contracts above the micro-purchase threshold. The phrase “use of the purchase card as a method of payment” is somewhat misleading and is further clarified for our purposes by adding the word “authorization”—thus making the purchase card “a method of payment authorization.” This clarification is helpful since, at the time of vendor payment by the card issuing bank, there is no expenditure of federal funds. The card-issuing bank, as part of the services it performs under the GSA contract, provides the vendor payment function. The Department, in turn, pays the card-issuing bank on a disbursement voucher that reflects all pertinent lines of accounting (LOAs) and liquidates the underlying obligation(s).

This section varies somewhat from other sections of this report because there is no current model in place to serve as a baseline for a revised process. In order to develop a baseline for the PCFMT review, the team performed a detailed analysis of the steps involved in the current contract payment process. It then identified changes required in this process if the purchase card were to be the method of payment in order to highlight differences. In the following analysis, section B identifies acquisition requirements pertinent to the process, and section C identifies key processing changes identified in the “To Be” model. The summary analysis and conclusions are in section D.

Based on a review and analysis of current practices and statutory requirements, the teams propose (1) to expand the use of pre-approved clauses and provisions through \$25,000 and (2) to permit but not mandate the use of the purchase card as a payment method when determined to be in the best interest of the government (e.g., placing orders from established long-term corporate contracts). The envisioned processes make use of current initiatives in electronic commerce (EC), electronic data interchange (EDI), and the newly enacted Certifying Officer legislation. These revised processes also make use of the experience and analysis conducted as part of the micro-purchase reviews. It must be emphasized that, as the Department moves to full implementation of EC/EDI in the acquisition and finance communities, any benefits of using the purchase card solely as a payment vehicle will diminish.

### B. Acquisition Requirements

The Federal Acquisition Streamlining Act (FASA) of 1994 established a micro-purchase threshold of \$2,500 and significantly changed the requirements for acquisitions at or below this level. Through use of the government-wide purchase card, the acquisition process for micro-purchases has been simplified to the point where additional contract documents—either paper or electronic—are no longer required. Basically, cardholders need only to (1) comply with the FAR Part 8 to screen for required sources of supplies and services and (2) ensure that prices are fair and reasonable. Above the micro-purchase threshold, however, additional statutory and regulatory requirements apply that must be communicated to vendors as terms



and conditions in a contract or agreement—usually in the form of clauses. Essentially, this limits purchase card use above the micro-purchase threshold to a mechanism for vendor payment in conjunction with a separate contractual document or agreement. In other words, the card cannot be used alone above the established micro-purchase threshold.

These additional statutory and regulatory requirements are detailed below according to applicable dollar ranges using the Procurement Procedures Decision Tree located in Appendix K. Generally, the increased requirements above the micro-purchase threshold generate additional actions to be performed involving warrants and training, procurement notices, competition, contract file documentation, issuance of contractual documents or agreements, and reporting. These requirements progressively complicate procurements above the micro-purchase threshold with each increase to the next dollar range and create a barrier to significantly extending the use of the purchase card—except as a payment vehicle—for procurements at higher dollar levels.

Purchase card usage should increase if procurement procedures for acquisitions above the micro-purchase threshold are simplified further to resemble more closely those used for micro-purchases. The dollar range with the fewest restrictions and largest target of opportunity is that immediately above the micro-purchase threshold up through \$25,000. In this range, oral solicitations are recommended because there is no requirement for public posting of procurement notices with such solicitations. Unless a required source of supply or service applies (e.g., FPI or NIB/NISH), essentially the only requirements when using oral solicitations are that a warranted person using simplified acquisition procedures document competition between small businesses, incorporate mandatory clauses, and report the action on a DD Form 1057. In this case, the mandatory clauses and subsequent certifications drive the requirement for a contractual document or agreement indicating acceptance of the clauses.

In discussions with representatives of various DoD activities, the team found that some currently are using an innovative method that satisfies the requirements associated with the mandatory clauses, yet allows use of the purchase card when placing verbal orders. For example, both the Defense Mapping Agency (DMA) and the Defense Supply Service-Washington (DSS-W) are providing certificates annually to small businesses with the required clauses and certifications for signature to document agreement that the clauses are incorporated and made a part thereto of each purchase card transaction. Thus, warranted personnel may place verbal orders up to \$25,000 and make payment with the purchase card without issuing written purchase orders. Although this tool is restricted to use by warranted personnel, it does allow timely satisfaction of needs with minimal documentation. It should also be noted that both DMA and DSS-W use “bulk funding” via an obligation authority document which is provided to the contracting office from the requiring organization. The result is a streamlined process in that purchase requests are no longer routed through financial channels prior to placing orders.

In addition to the DoD activities mentioned above, the Army Logistics Management College has developed a standardized form with attached certifications for use by DoD activities. A copy is located at Appendix L.

---

**IMPEDIMENT:**

---

Statutory and regulatory requirements for acquisitions above the micro-purchase threshold result in the need for a separate contractual document or agreement to express appropriate terms and conditions. This limits the purchase card to a payment vehicle rather than a “stand-alone” purchasing and payment method as it is for micro-purchases.

---

**RECOMMENDATION V-1:**

---

The DUSD(AR) should issue a memorandum identifying as a “best practice” the use of agreements that document vendor pre-acceptance of clauses and provisions for procurements above the micro-purchase threshold through \$25,000. The memorandum should provide an example agreement and a standardized listing of required clauses and certifications.

---

### C. Changes To Adopt the “To Be” Model

When the purchase card is used as a payment card for an existing contract above the micro-purchase threshold, the basic procedures utilized today remain essentially unchanged. These include: requisitioning, item-specific procurement approval, funding and accounting line-item identification, funds availability and certification, and contract award.

The major change in the payment process from the baseline model (i.e., not using the card) occurs upon contract award because different terms and conditions will be required when contracts are paid by purchase card. Specifically—

- ★ The use of the purchase card as a method of payment will have to be authorized in the contract when issued.
- ★ The “bill to” address will no longer cite a finance office or invoice processing office. Instead, the cardholder’s office will be identified in the “bill to” block as the point of contact for the vendor to use when requesting payment against the contract and to resolve questions relative to payment by the purchase card.
- ★ There will be no reference to the “Prompt Payment Act” in a contract or purchase order written for payment by the purchase card. Vendor payment is effected between the vendor bank and the VISA network, not by the purchasing DoD activities.
- ★ Additional distribution of contract award information (electronic or hard copy) both to the cardholder and the designated billing office will be required. The cardholder must track balances towards liquidation of the contract and identify the line(s) of accounting on the SOA from the card-issuing bank at the end of the month. The designated billing office will receive a copy of the contract to verify the line(s) of accounting identified by the cardholder.
- ★ The Department of Defense Activity Address Code (DoDAAC) will be identified during account setup (currently user field 2 of the RMBCS account setup form). This will facilitate supply/demand tracking, cost recovery, and identify by ordering office the activity against another component-negotiated contract (e.g., DLA corporate contracts).

Upon receipt of the contract, the cardholder will establish a record in the automated cardholder reconciliation system using the contract number and LOA for tracking and reconciliation purposes. The vendor will notify the cardholder of completion or performance against the contract. The cardholder will be required to validate or verify performance in accordance with the terms and conditions of the contract. The current voucher examination/contract payment functions will transfer from contract administration and the disbursing office to the cardholder. These functions include the current process of matching

the vendor invoice with the entitlement on the contract and the verification of receipt of the item or service.

Once the cardholder provides the purchase card number and authorizes the payment, the vendor can process the transaction and receive payment (less the bank interchange fee) through the bank card network (currently VISA). The cardholder then updates the automated cardholder reconciliation system to include—

- ★ Initiating and receiving a download of data from the RMBCS on a weekly basis that reflects transactions processed through the bank.
- ★ Ensuring the update of all required data.
- ★ Performing the cardholder reconciliation of entries in the automated system for items ordered to the items cleared through the bank.
- ★ Maintaining documentation to aid in reconciling the card-issuing bank SOA certification and provide an audit trail for the purchases.

The cardholder will receive an electronic SOA, and the designated billing office will receive an electronic invoice (currently RMBCS R063). The receipt date of the electronic invoice will determine the payment due date. In order to ensure compliance with the Prompt Payment Act, certification for payment, at times, may be in advance of receipt of cardholder information.

Upon completion of the SOA reconciliation by the cardholder, he or she will transmit electronically to the designated billing office the following:

- ★ Certification of receipt.
- ★ Summarized accounting lines (fund cites).
- ★ The long line of accounting for contract payments, including the contract number, the accounting classification reference number (ACRN), and the obligating document number to be liquidated.

The designated billing office will consolidate the cardholder statements and forward the following data elements electronically to the disbursing office:

- ★ An electronic certification/signature (note that certifying officer liability applies hereto).
- ★ The detailed lines of accounting to support the payment, including the long lines of accounting and contract numbers being certified.

The disbursing office will receive the certified file for payment from the designated billing office, verify that the sum of the accounting lines equals the invoice amount and that the accounting line items are complete and can be processed for payment. The disbursing office then will prepare the voucher for payment, prepare the EFT transfer, and transmit the EFT payment to the card-issuing bank. The disbursement will be recorded in the accounting system and the obligation will be liquidated.

## **D. Summary/Conclusions**

Major workload transfers and changes in responsibility are likely to result from any widescale use of the purchase card as a payment vehicle. Even with automated support to assist the cardholder and the billing office in the performance of their functions, the impact across functional areas resulting from this application will create new issues beyond those already identified for micro-purchases. The training barrier identified previously is but one example that must be addressed if the card is used as a payment vehicle. Not only is the cardholder expected to be functional in the acquisition arena, he or she will need training in resource management, contract administration, and voucher preparation and examination. Depending on the location of the cardholder (e.g., the contracting office or resource management office), existing internal controls established to minimize the risk of fraudulent and erroneous payments may be jeopardized.

The primary benefit of the purchase card as a method of payment is the timely payment to the vendor. However, more significant cost benefits or cost avoidances can be realized through the use of automation, including EC/EDI and, by 1999, the mandatory use of EFT (Public Law 104-134). Those technologies hold more promise than does adding more steps to the existing contract payment process.

For these reasons, the use of the purchase card as a payment vehicle cannot be supported as a mandatory or even desired practice. There simply is not enough value added for this approach. On the contrary, use of the card as a payment method creates additional steps to the existing process.

Some economies may be realized for single-purchase, single-delivery, single-accounting line-item contracts versus the multiple-line item, multiple-delivery, multiple-line of accounting contracts. Although not a desired method, the purchase card should remain optional as a payment vehicle for that range of contracts.

---

### **RECOMMENDATIONS V-2:**

---

The USD(C) should permit (but not mandate) the use of the purchase card as a payment method when determined to be in the best interest of the government.

EC/EDI and EFT should be the primary tools to effect payment on contracts, but the purchase card could serve as a payment vehicle where economically justified for those contracts with single-purchase, single-delivery, and a single line of accounting.

---



## VI. INTER/INTRADEPARTMENTAL TRANSFERS OF GOODS OR SERVICES: SALES & COLLECTIONS

This section addresses DoD activity acceptance (as merchants) of the government purchase card as a method to collect for sales of goods or services from other federal government entities. From a cardholder's perspective (as buyers), the use of the purchase card for inter-/intra-agency purchases will not differ significantly from that of making a purchase from a merchant in the private sector.

Inter-/intra-departmental transfers of goods or services is defined as the buying or selling of goods or services between DoD Components and other federal agencies ("inter"), or within the Department of Defense ("intra").

The current processes for inter-/intra-departmental sales and collections are governed by military standards and financial regulations. Aside from using various forms, the basic procedures are relatively standard. The general procedures are described below.

- ★ **Order.** The customer (buyer) requests goods or services from a provider (seller) using an order, e.g., MILSTRIP requisition, MIPR, or project order. An order generally includes either an established price or a negotiated "not-to-exceed" price with an LOA.
- ★ **Sales.** Upon performance by the seller, a sales transaction is recorded for the goods or services provided.
- ★ **Billing/Collection.** The following methods are used for billing the buyer and collecting the payment:

### A. Interfund Billing

The Military Standard Billing System (MILSBILLS), using the Interfund Billing process, is an automated method for simultaneous billing and collecting. This method generally is used for requisitions processed through the Military Standard Requisition Procedures (MILSTRIP). Although not in compliance with current industry EDI standards, this automated process constitutes a form of electronic commerce (EC). In the interfund process, billing and collecting occurs simultaneously.

The buyer's accounting office accepts the interfund bill. Generally, the automated systems will match the bill to the requisition line. If the bill is questionable, the buyer submits a billing adjustment request to the billing office for appropriate response. The seller's and buyer's accounting offices must prepare monthly reports to the Treasury Department showing collections and disbursements to their fund accounts.

## B. SF 1080 (Voucher of Transfer Between Appropriations and/or Funds (or Equivalent))

MILSBILLS procedures also allow for manual billing (i.e., the SF 1080 process). Upon the delivery of goods or services, the seller bills the buyer either by inputting data into a semi-automated system that generates an SF 1080 or through manual computation of the bill and preparation of the SF 1080 on a typewriter. The billing office also must accumulate and maintain the records to support the bill. The DFAS is responsible for tracking and aging accounts receivable and, if necessary, following up on delinquent accounts as part of cash management stewardship.

The buyer receives and matches the invoice to an obligation in the accounting system prior to processing the payment. Payment then may be made by Treasury check or with a “no check drawn” SF 1080, a transaction-for-others/transaction-by-others (TFO/TBO). It is not unusual for the buyer to make adjustments to the invoice and pay other than the billed amount. These adjustments require the billing office to track and resolve the discrepancies.

When payment is made by check, the seller’s accounting office prepares a cash collection voucher and posts the collection to the accounting system. This voucher becomes part of the monthly cash reporting to the Treasury Department. However, if the payment is “no check drawn,” the accounting office must wait until a copy of the processed SF 1080 is received through the TFO/TBO channels before it can post the collection—a process that can take months.

## C. Purchase Card

A third and relatively new method for “collection” is through use of the purchase card. Although this is in its infancy within the Department (e.g., currently being implemented at the Defense Printing Service (DPS)), the GSA, GPO, and FPI have accepted purchase cards as a collection method for several years. By accepting the purchase card, the seller does not bill the buyer directly but processes the sales transaction through an acquirer bank that, for a fee, pays the seller. The acquiring bank is the financial institution through which the DoD merchant activity arranges access to the VISA network for purchase card acceptance. The acquiring bank processes the transaction through the VISA network to the RMBCS. The RMBCS then bills the buyer during their normal billing cycle, with all other purchase card transactions.

The seller’s acquiring bank will provide data on dollar sales (collections) to the seller on a daily basis. These funds are transferred to the Treasury’s General Account on a daily basis. The seller must still prepare and transmit a monthly collection report to the Treasury Department to transfer the funds from the deposit account to the seller’s account.

To effect this process, the DoD has arranged to access, through the Treasury Department’s Plastic Card Collection Network, the services of two banks (Mellon Bank and NationsBank) to provide the acquiring bank (merchant) credit card processing services for inter-/intra-departmental purchases and collections using the purchase card. Both banks are under a master agreement with the Treasury Department to provide plastic card collection services to federal agencies (e.g., DoD Components), and may be engaged individually through the execution of a separate three-way agreement between the financial institution, the Treasury, and the DoD merchant activity.

These services are available from either bank for an interchange fee ranging from 1.0 to 2.0 percent, as a percentage of sales, depending primarily on the method of transaction transmittal. The bank's interchange fee will be separately invoiced by the bank monthly. The cost associated with these services of accepting the purchase card should be compared to the cost savings analogous with the reduction in "backroom" operational costs for billing, aging receivables, waiting for payment, followups, and receiving, controlling, and processing checks. Both banks are equally available and capable of providing these services to all DoD Components. Each DoD Component is required only to contact both banks, allow each bank the opportunity to offer its services, and select the bank that best meets the activity's requirements, costs, and other factors considered.

In order to determine cost and economic factors, the activity should consider the following:

- ★ Volume of potential purchase card orders.
- ★ Cost of the point-of-sale equipment.
- ★ Bank terms, to include fees charged by the banking institution under the Treasury Department's Plastic Card Collection Network.
- ★ Cost recovery rate (surcharge) increase needed to recoup bank fees. And—
- ★ Changes required to the existing systems to accommodate the card, e.g., modification:
  - ◇ Logistic systems to accept orders via purchase card and record authorization codes, and issue material release orders to depots or delivery orders to vendors.
  - ◇ Financial systems so that sales based on card collections do not generate bills.

In summary, the business practice of issuing manual billings (SF1080s) are untimely and very labor intensive. The practice involves creating bills, aging receivables, doing followups, and receiving and controlling checks. In addition, the benefits of accepting the purchase card for inter-/intra-departmental sales include eliminating the seller's production of manual bills, waiting for payment, aging of accounts receivable with the potential for lost revenues, and issuing or depositing Treasury checks. The purchase card represents a viable change to the established collection process.

Finally, where the automated MILS and Interfund Billing processes are being used, the order, billing, and collecting processes already are automated. Acceptance of a purchase card may, in fact, increase costs due to the addition of the bank fee (1.0-2.0 percent). Regardless, the card may be accepted as a convenience to customers and to offer a common business practice across the Department.



**IMPEDIMENTS:**

---

- a) Current systems, procedures, and processes are not designed easily to accommodate the acceptance of the purchase card.
- b) Inter-/intra-departmental purchases (sales) may exceed the thresholds currently established for individual cards or billing offices, as defined in the GSA contract with the RMBCS.
- c) By letter of May 2, 1996, the Treasury Department stated its intent to terminate the acquiring bank pilot arrangements for DoD Components no later than September 1997. Banking arrangements after that time may be significantly different.

**RECOMMENDATIONS VI-1:**

---

The USD(C) should:

- 1. Direct the revision of the DoD Financial Management Regulation to address adequately the policies for acceptance of the purchase card as a collection method. New accounting procedures should be developed by the DFAS for processing of purchase card sales and collections.
  - 2. Work with the Treasury Department to extend the deadline regarding the termination of acquiring bank pilot arrangements for DoD Components, or find another solution, i.e., through the purchase card contract.
  - 3. Work with the GSA to modify the RMBCS contract to remove restrictions on cardholder/billing office limits for inter-/intra-departmental purchases/sales.
  - 4. Encourage DoD Components to use the card as a method of collection when economically justified.
- 

**RECOMMENDATION VI-2:**

---

The Heads of the DoD Components using the PCCN should arrange with the acquiring bank and the DFAS to provide instruction that addresses the new procedures for accepting and processing purchase card collection transactions through the applicable management information, logistic, and financial systems, and proper reporting of the collections to the Treasury Department.

---



## VII. General Issues and Promotion

### A. General Issues

This section deals with issues which do not relate to a specific process in using the purchase card. They are issues which are more cultural than technical in nature. While the process issues have been discussed as they appeared in the model, the nonprocess issues are best analyzed apart from the model. The all-encompassing nature of these barriers means that the recommendations to overcome these nonprocess barriers will focus on changing cultures and not on changing processes. The significant nonprocess barriers are a low micro-purchase threshold, lack of willingness to use the card effectively, organizational reluctance, and vendor nonacceptance of the purchase card.

#### 1. Micro-Purchase Limit (\$2,500)

The current micro-purchase threshold of \$2,500 is not a barrier to card use for purchases below that level. However, there is strong demand for the statutory exemptions which currently apply below \$2,500 to apply to purchases below \$25,000. If the micro-purchase threshold were raised to a higher dollar amount, the purchase card could be more extensively used as a purchase vehicle.

It is estimated that raising the micro-purchase threshold to \$25,000 would allow purchase card micro-purchases for 96 percent of DoD contract actions (estimated increase of more than 500,000 actions), which represent only 6 percent of the contract dollars. (See Appendix M).

#### RECOMMENDATION VII-1:

The DUSD(AR) should evaluate current purchase card success and, after which, determine proper timing to propose legislative changes to increase the micro-purchase level from \$2,500 to \$25,000. The \$25,000 level adds a 10 percent of contract actions where the purchase card could be used with only a 3-percent increase in contract dollars.

#### 2. End-User Purchases

In the past, purchasing of supplies or service remained with the contracting and supply offices. Recent changes (such as the FASA of 1994, Executive Order 12931, and OMB guidance) have empowered the end-user (non-procurement personnel) to obtain their own supplies and services with the purchase card at or below the micro-purchase threshold. The emphasis for this paradigm shift has been in an effort to streamline the procurement process, reduce administrative procurement costs, and increase the use of commercially available items, where practicable.

---

**IMPEDIMENTS:**

---

Some DoD activities are reluctant to disseminate cards outside the contracting office or supply office to the user level. This hinders expansion of the purchase card program.

---

**RECOMMENDATION VII-2:**

---

The Heads of the DoD Components should direct that micro-purchases for all commercial items be purchased by the end-user, except for special-type procurement items as determined by that Component.

---

**3. Vendor Acceptance**

The teams heard from one briefer, and team members have received other anecdotal references to the inability of DoD activities to use the purchase card with some vendors. This especially appears to be a barrier in some overseas locations where U.S. Forces are forward deployed or make ports of call.

Non-acceptance of the purchase card can narrow the number of eligible vendors for DoD business in a given geographical area. The absence of card-accepting merchants necessitates that DoD activities look elsewhere for sources of supply; however, with the ready availability of mail-order catalogues, telephones, fax machines, and overnight mail, DoD activities no longer should be constrained by the local marketplace.

Given its existing purchase card product, the Department is reliant upon the reach of the VISA network to affiliated merchants. The VISA network, in turn, is reliant upon local member financial institutions to enroll new merchants and service those accounts and the adequacy of telecommunications, especially overseas. Furthermore, even where the necessary infrastructure is in place, some countries may exhibit a cultural barrier to the acceptance of credit-type transactions. Shortfalls in any of these conditions can produce a lack of vendors that accept the card or which seek a higher price to process credit sales, even though discriminatory pricing is prohibited by their VISA agreements.

Beyond normal operations, U.S. Forces increasingly are being deployed to regions having minimal business or logistical infrastructures. The inability to use the purchase card to fulfill military exigencies in such situations necessitates the retention for those situations of traditional tools like SF 44s and imprest funds. Conversely, in most other environments, both SF 44s and imprest funds need to be eliminated in favor of the purchase card. In fact, the USD(C) issued a memorandum on March 28, 1996, that eliminates imprest funds for unclassified programs in the continental United States (CONUS) as of October 1, 1996, and as of October 1, 1997, for outside CONUS (except for classified programs or declared contingency operations). A copy of that memorandum is at Appendix N.

---

**RECOMMENDATIONS VII-3:**

---

The DUSD(AR) should direct the DAU to include solutions to lack of vendor card acceptance in the training module to be developed. Suggestions might include—

1. Asking whether the vendor takes “VISA” rather than “the government purchase card.”
  2. Encouraging cardholders to notify RMBCS, through their APC, of preferred merchants that do not accept the purchase card.
  3. Offering information through organizations such as local chambers of commerce to educate local business communities on the benefits to the U.S. taxpayers that come from the re-engineering of DoD business practices. Similar efforts overseas might be orchestrated on a government-wide basis through the U.S. embassy.
  4. The Director for Defense procurement should initiate a DFARS case to prohibit the use of SF 44s except for contingency operations overseas as declared by the Joint Chiefs of Staff and provide for the use of the purchase card during contingency operations with the same authority (\$200,000) permitted under the SF 44.
- 

**4. Provisions for Successor Contract**

---

**RECOMMENDATION VII-4:**

---

There are several deficiencies with the current purchase card contract that, if corrected in the succeeding contract, would streamline the overall process for using the purchase card. The USD(C) should work with GSA as necessary on the following process changes:

1. Pursue automated interfaces between the contractor’s records and the systems available at the cardholder and billing office levels. Improvements should be made to automate and streamline the current system to reconcile items both on cardholder statements and on the official invoice.  
  
[Currently, this information is being provided only in paper form from the contractor. Automating the process will ease the reconciliation process for cardholders and lead to interfacing with the servicing payment offices. It also will expedite payment and decrease the file turn period, thereby generating a greater rebate from the contractor.]
2. Pursue an alternative to the “file turn” method of establishing the amount of refund. Higher (economic) purchase card refunds would justify faster payments in line with the Prompt Payment Act; otherwise, agencies are compelled to wait for the prompt payment window (the 23rd through the 30th day after receipt of invoice).
3. Require a rolling invoice that would reflect a beginning balance of the current month, the payments and adjustments for the previous month’s invoice, and the prior month’s ending amount carried forward. The current process produces invoices which bill only those items purchased during the current billing period. The process does not acknowledge adjustments by cardholders for non-receipt of items carried forward from the prior billing period.

4. Require refunds to be included as a reduction to the amount of the current invoice. This will ensure that the benefit reaches the correct and appropriate organizational level in sufficient time for current-year use.
  5. Require the contractor to capture and provide the taxpayer identification numbers of the vendors, vendor payment amount, and other information necessary for the DFAS to prepare IRS Forms 1099. As an alternative, seek agreement by the RMBCS to issue the IRS Form 1099.
  6. Require that the contractor provide agency-specified cards for certain contingency operations and remote sites.
  7. Require that the contractor establish organization-based cards within certain activities for multiple users.
  8. Develop a single card for purchase, travel, and fleet fuels applications.
  9. Modify the contract to allow transmission of weekly electronic (flat file) downloads of all DoD transactions to the DMDC which will, in turn, reformat that data and make it available via Internet or electronic bulletin board to cardholders.
  10. Modify the contract to remove restrictions on cardholder/billing office limits for inter-/intra-departmental purchases/sales.
  11. Expand the services on the contract to include “acquiring bank” services in addition to “issuing bank” services.
- 

#### **5. VISA Checks and FedSelect**

The Department recognizes that the elimination of most imprest funds could have some effect on a subset of the vendor community that has been paid from such funds either directly (e.g., COD shipments) or indirectly (e.g., reimbursements to employees for small out-of-pocket expenditures for keys, rubber stamps, and other low-value goods acquired for official purposes).

In those rare cases where a purchase card cannot be used, a limited number of cardholders should have access either to VISA checks issued through the GSA contract with RMBCS or the Treasury Department’s FedSelect product.

---

#### **RECOMMENDATION VII-5:**

---

The USD(C) should arrange, by October 1, 1996, for pilots of both VISA checks issued through the GSA contract with RMBCS and the Treasury Department’s FEDSELECT product. VISA checks, at least initially, should be limited to “imprest fund like transactions” with perhaps only one cardholder and alternate given access to this tool on each installation. The FEDSELECT pilots initially should be limited as well, perhaps to the Washington Headquarters Services and the DFAS-Kansas City Center.

---

## **B. PROMOTION**

Throughout DoD there exist pockets of managers reluctant to use the purchase card. This is due primarily to insufficient information to justify their support of the purchase card program. This particularly is true with managers who are either unfamiliar with card use or think the process is cumbersome. They also suspect that the contracting and supply communities are passing work to their organizations, thereby increasing the workload they are responsible to accomplish. In addition, when top commanders provide emphasis on other programs and let the purchase card program be an after-thought, the managers in the field will provide little support.

The easiest of these conditions to fix is the managers' unfamiliarity with the program to include the advantages to the organization to accomplish the mission because supplies and services are accessed quicker. The second is for the top commanders to place this program higher on their priority list. With this emphasis, the purchase card program can move forward as a tool for commanders to get their mission accomplished easier. The perception that the program process is cumbersome was already discussed in this report.

---

### **RECOMMENDATION VII-6:**

The USD(A&T) should arrange for Deputy Secretary of Defense guidance to the Heads of DoD Components encouraging the use of purchase cards and set the goal of having 100 percent of eligible micro-purchases (those under \$2,500) be accomplished by the purchase card. The services and agencies will work with DUSD(AR) to define the eligible micro-purchases. See Appendix O for goal computation procedures.

---

---

### **RECOMMENDATION VII-7:**

The Heads of the DoD Components should—

1. Issue guidance to their major commands and Installation Commanders emphasizing the advantage of using the purchase card, such as the flexibility and empowerment at the lowest levels. The guidance should establish a Component-wide goal. Also, any manpower saving due to the reduced number of transactions in the contracting and logistics functions can be redistributed at the installation level or utilized for proposed downsizing.
  2. Make purchase card use a topic of discussion at such school and conferences where leaders learn better ways to do business. DoD Component purchase card coordinators with the assistance of Defense Acquisition University, GSA, and RMBCS develop and deploy "road shows" which emphasize the streamlining of the process and how it enables workers to accomplish their mission quicker and more effectively.
-

**RECOMMENDATION VII-8:**

---

The Assistant to the Secretary of Defense (Public Affairs) should encourage public affairs officers to develop stories, utilizing local cardholder success, for installation papers and Internet newsletters such as the Acquisition Now newsletter, which demonstrates how the card empowers the workers to get their mission accomplished. Also, the Assistant to the Secretary of Defense (Public Affairs) should develop articles for external release indicating the important aspects of the purchase card use in the DoD Components.

---

**RECOMMENDATION VII-9:**

---

Local purchase card coordinators utilize organization commander's calls to get the word out on the advantages of the worker utilizing the card. They should emphasize the flexibility and timeliness of obtaining supplies and services with the purchase card.

---



## VIII. Conclusions

Throughout the report numerous changes to current business practices are recommended. Some re-engineer the existing process for acquiring commercial items valued within the micro-purchase threshold while others streamline the acquisition process for other than commercial products. Additionally, recommendations are made which will expand current card usage through promotional opportunities, as payment mechanism against existing contracts and for inter-/intra-departmental sales and collections. These initiatives will not be readily accepted by everyone. An aggressive effort will be required to educate management on the benefits of the card, and in particular the benefits of getting the card down to the end-user level. An effort will also have to be made to increase the vendor base that will accept the card, concentrating on more remote areas and small business owners. A related recommendation is the proposed use of VISA Checks/FedSelect for situations in which the vendor will not accept the purchase card or for overseas operations.

An effort was also made to identify changes to the program that would make it more effective and beneficial for the DoD community. Proposal for changes to the government-wide contract will be presented to the GSA.

As a convenient reference, Appendix P is a table of all of the recommendations.



# APPENDIX A

## Charters

## APPENDIX B

### Team Members

**Office of the Under Secretary of Defense (Comptroller)**  
**Purchase Card Financial Management Team**

<b>DoD Component</b>	<b>Grade/ Series</b>	<b>Name (Last, First MI)</b>	<b>Organization and Mailing Address</b>	<b>Office Phone &amp; Fax</b>
OUSDC(C)	ES-4	Adolphi, Ronald L.	OUSDC(C), ODCFO(AP) Room 3A882 The Pentagon Washington, DC 20301-1100	Phone: (703) 697-0536 Fax: (703) 697-4608
OUSDC(C)	GM-501-15	Good, Ronald D.	OUSDC(C), ODCFO(AP) Room 3A882 The Pentagon Washington, DC 20301-1100	Phone: (703) 697-0585 Fax: (703) 697-4608
Army	GS-510-13	Joe, Dennis	OASA(FM&C) ATTN: SAFM-FCL 109 Army Pentagon Washington, DC 20310-0109	Phone: (703) 697-5835 Fax: (703) 695-2028
Navy	Lt. Cdr., MSC 0031	Whitmeyer, Antoinette A.	Naval School of Health Sciences Building 141 8901 Wisconsin Avenue Bethesda, MD 20889	Phone: (301) 295-6091 Fax: (301) 295-2652 E-mail: whitmeyer@nsh20.med.navy.mil
Air Force	Captain AFSC 65F4	Berk, Rodney K.	SAF/FMPC Washington, DC 20330-1130	Phone: (703) 697-9992 Fax: (703) 695-0682
DeCA	GS-510-13	Miles, Roger S.	DeCA HQ/RMA Fort Lee, VA 23801-6300	Phone: (804) 734-8334 Fax: (804) 734-8243 DSN: 687
DFAS	GM-510-15	Ingerick, Jerry D.	DFAS-HQ/GB 1931 Jefferson Davis Highway Room 409 Arlington, VA 22240-5291	Phone: (703) 607-1571 Fax: (703) 607-0588
DLA	GS-510-13	Kerby, Carl A.	DLA HQ/FOX 8725 Kingman Road Suite 2533 Fort Belvoir, VA 22060-6221	Phone: (703) 767-7234 Fax: (703) 767-7251
DMA	GS-1102-13	Loudon, Deborah L.	DMA Headquarters 8613 Lee Highway Fairfax, VA 22031-2137	Phone: (703) 275-8471 Fax: (703) 275-8636
WHS	GS-343-15	Gerlach, Harry W.	Washington Headquarters Services Room 3C345, The Pentagon Washington, DC 20301	Phone: (703) 693-8613 Fax: (703) 614-9258
	GM-510-15	Miller, Robert A.	Room 3B269 The Pentagon Washington, DC 20301-1155	Phone: (703) 614-0990 Fax: (703) 697-1629

**Deputy Under Secretary of Defense (Acquisition Reform)  
Purchase Card Integrated Product Team**

<b>DoD Component</b>	<b>Grade/ Series</b>	<b>Name (Last, First MI)</b>	<b>Organization and Mailing Address</b>	<b>Office Phone &amp; Fax</b>
ODUSD (IA&I)	Col. USAF	Horsfall, John D.	ODUSD(IA&I) 400 Army Navy Drive Suite 206 Arlington, VA 22202-2884	Phone: (703) 604-6735 Fax: (703) 604-5934
Army (RDA)	GM-15	Sullivan, Bruce	US Army Contracting Support Agency 5109 Leesburg Pike Falls Church, VA 22041-3201	Phone: (703) 681-7564 Fax: (703) 681-7580 E-mail: sullivab@sarda.army.mil
U.S. Marine Corps	GM-13	Mitchell, Fran		Phone: (703) 696-1018 Fax: (703) 696-1016 E-mail: mitchellf@sqq-smtp3.usmc.mil
DoD IG	Major	Hailstone, Mitch	Inspector General DoD 400 Army Navy Drive Arlington, VA 22202-2884	Phone: (703) 604-9209 Fax: (703) 604-9204 E-mail: mhailstone@dodig.osd.mil
DLA (MMPPP)	Lt. USN	Zayas, Miguel A.	DLA 8725 John J. Kingman Road (MMPPP) Ft. Belvoir, VA 22060-6221	Phone: (703)767-1357 Fax: (703)767-1359 E-mail: miguel_zayas@hq.dla.mil
OSD Director, Defense Procurement	GM-15	Sipple, Mike	OSD (A&T) Office of Director of Defense Procurement/CPA (Mike Sipple) 3060 Defense Pentagon Washington, DC 20301-3060	Phone: (703) 697-8334 Fax: (703) 614-1254 E-mail: sippleme@acq.osd.mil
DMA	GS-13	Worrick, Mathew	DMA 8613 Lee Highway Milstop A3 Fairfax, VA 22031-2137	Phone: (703) 275-8469 Fax: (703) 275-8636 E-mail: worrickm@dma.gov
SAF/AQCO	GS-13	Ellsworth, Catia	SAF/AQCO 1060 Air Force Pentagon Washington, DC 20330-1060	Phone: (703) 614-2626 Fax: (703) 697-8817
DAU	Cpt. US Army	Byrnes, Brad	Department of the Army ATTN: Dean SACM ATSZ AMJ Building 12500 2401 Quarters Road Ft. Lee, VA 23801-1705	Phone: (804) 765-4412 Fax: (804) 765-9023
DoD Logistics		Carter, Tom		Phone: Fax: (703) 696-9436
Navy		Robinson, Eva		Phone: (717) 790-3728 Fax: (
Air Force	E-7 USAF	Sampere, Jerry	HQ USAF/LGSP 1030 Air Force Pentagon Washington, DC 20330-1030	Phone: (703) 697-9429 Fax: (703) 614-7570 E-mail: samperej@afsync.hq.usaf.mil
Air Force	GS-14	Brusky, Rick	HQ USAF/LGM-1 Pentagon Air Force 1030 (4B267) Washington, DC 20330-1030	Phone: (703) 697-6271 Fax: (703) 697-6287

## APPENDIX C

### DoD Entry Into Program





## APPENDIX D

### Component Statistics

#### Background

1. Listed below are data reported via the DD Form 1057 (Monthly Contracting Summary of Actions \$25,000 or Less) and statistics for purchase card use collected by RMBCS for fiscal years 94, 95, and the first 6 months of fiscal year 1996. This data was used to provide a general indication of the percentage of purchases within the micro-purchase threshold accomplished with the purchase card. The data provides only a “general” indication due to limitations in the reporting parameters and subsequent assumptions imposed on the calculations. It is important to recognize these first.
  - a) The FAR requires reporting of contracting actions of \$25,000 or less using the DD Form 1057. The DD Form 1057 divides these contracting actions into small purchase procedures, delivery orders (includes GSA Federal Supply Schedules, and other Federal Supply Schedules) and other contracting actions. Only Small Purchase Procedures are reported by dollar ranges on the DD Form 1057. Small Purchase Procedures include simplified acquisition procedures such as purchase card transactions, orders against blanket purchase agreements, and modifications to awards made using simplified acquisition procedures. Actions reported at or below the micro-purchase threshold of \$2,500 on the DD Form 1057 were compared to purchase card transactions reported by the RMBCS to determine the percentage of micro-purchases accomplished via the purchase card. Three problems were encountered. First, purchase card transactions reported by RMBCS encompass all contract actions including delivery orders and other contracting actions not counted as Small Purchase Procedures on the DD Form 1057. Second, RMBCS statistics also include any transactions above \$2,500. And third, purchase card actions accomplished by a tenant organization of one DoD Component may be included in the reported total of another Component to which the host organization belongs. Discussions with Component-level program coordinators indicated that the number of purchase card transactions associated with either problem is small enough to render them as statistically insignificant, but they still degrade the accuracy of computations.
  - b) During FY 95, DoD activities were relieved of the requirement to report purchase card transactions on the DD Form 1057. Actual cessation of the reporting, however, varied between the services and agencies. Some stopped reporting purchase card transactions immediately while others stopped at points through the end of the year. Thus, statistics used from the DD Form 1057 database for FY 95 create the potential for a wider margin of error. This change in reporting requirements is also important to note when conducting trend analysis across the fiscal years since FY 94 data includes purchase card transactions, FY 95 data is mixed, and FY 96 data does not include purchase card transactions.



## 2. Statistics

## FY 94—DD Form 1057

Actions or below \$2,500 (1)		Dollars	Average \$/Action
DoD	4,962,038	\$2,275,092,411	\$458
USA(2)	1,773,727	\$ 705,896,953	\$398
USN(3)	1,288,019	\$ 656,130,248	\$509
USAF	765,958	\$ 354,408,813	\$462
Others	1,134,334*	\$ 558,656,397	\$492

(1) Sections F1 + F2 of DD Form 1057

(2) Includes Army and Office of the Chief of Engineers

(3) For reporting purposes, includes USMC

\* DLA 674,680 (59.5%); DeCA 422,989 (37.3%), Others 36,665 (3.2%)

## FY 94—Purchase Card

	Transactions	Dollars	Average \$/Transaction
DoD	791,399	\$368,734,330	\$466
USA	439,168	\$190,547,739	\$434
USN	198,441	\$111,011,167	\$559
USAF	133,724	\$ 50,145,271	\$375
Others	20,066	\$ 17,030,154	\$849

Percentage of DoD purchase card transactions: USA 55.5%, USN 25.1%, USAF 16.9%, Others 2.5%

FY 94 DoD percentage of micro-purchase actions using purchase card: 15.95%

Military Department percentage of micro-purchase actions using purchase card: USA 25%

USN 15%

USAF 18%

Defense Agencies' percentage of micro-purchase actions using purchase card: 2%

## FY 95—DD Form 1057

Actions at or below \$2,500		Dollars	Average \$/Action
DoD	4,545,495	\$2,135,602,583	\$470
USA	1,489,190	\$ 627,929,235	\$422
USN	1,218,306	\$ 649,249,103	\$533
USAF	661,156	\$ 309,663,021	\$468
Others	1,176,843**	\$ 548,761,224	\$466

\*\* DLA 729,021 (61.9%); DeCA 405,359 (34.5%); Others 42,463 (3.6%)

## FY 95—Purchase Card

	Transactions	Dollars	Average \$/Transaction
DoD	1,666,759	\$795,607,307	\$477
USA	927,726	\$429,568,520	\$463
USN	328,559	\$188,491,547	\$574
USAF	341,236	\$132,117,281	\$387
Others	69,238	\$ 45,429,959	\$656

Percentage of DoD purchase card transactions: USA 55.7%, USN 19.7%, USAF 20.5%, Others 4.1%

FY 95 DoD percentage of micro-purchase actions using purchase card: 36.7%

Military Department percentage of micro-purchase actions using purchase card: USA 62%  
USN 27%  
USAF 52%

Defense Agencies' percentage of micro-purchase actions using purchase card: 6%

## FY 96 (October–March)—DD Form 1057

Actions at or below \$2,500		Dollars	Average \$/Action
DoD	1,150,702	\$562,849,732	\$489
USA	223,130	\$113,629,137	\$509
USN	189,835	\$111,365,432	\$587
USAF	212,398	\$102,152,516	\$481
Others	525,339***	\$235,702,647	\$449

\*\*\* DLA 344,320 (65.5%); DeCA 173,779 (33.1%); Others 7,240 (1.4%)

## FY 96 (October–March)—Purchase Card

	Transactions	Dollars	Average \$/Transaction
DoD	1,198,337	\$478,230,067	\$399
USA	645,407	\$234,015,540	\$363
USN	220,992	\$116,310,538	\$526
USAF	275,528	\$ 96,001,439	\$348
Others	56,410	\$ 31,902,550	\$566

Percentage of DoD purchase card transactions: USA 53.9%, USN 18.4%, USAF 23.0%, Others 4.7%

FY 96 (October–March) DoD percentage of micro-purchase actions using purchase card: 51% (4)

Military Department percentage of micro-purchase actions using purchase card: USA 74%  
USN 54%  
USAF 57%

Defense Agencies' percentage of micro-purchase actions using purchase card: 11%

(4) FY 96 (October–March) percentages computed as follows:

$\text{purchase card transactions} / (\text{purchase card transactions} + \text{DD Form 1057 actions})$

- Examination of the purchase card transactions reported by RMBCS allows a quarterly division of the number of transactions and corresponding dollars for fiscal years 94 and 95. These are expressed below in terms of percentage of total purchase card transactions and dollars spent in that year by each quarter within the DoD. For example, 33.8 percent of purchase card transactions and 36.9 percent of dollars spent using purchase cards in FY 94 in the DoD occurred in the fourth quarter.

## DoD Percentage of Purchase Card Transactions/Dollars by FY Quarter

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
FY 94	17.6/17.6	20.6/19.9	28.0/25.6	33.8/36.9
FY 95	15.2/14.9	21.9/20.3	28.2/26.7	34.7/38.1

Assuming that the combined percentage of transactions and corresponding dollars in the third and fourth quarters of FY 96 will be similar to those in the 2 previous years, it is possible to predict an estimate of the number of total purchase card transactions and dollars for FY 96 based on the actual transactions reported in the first and second quarters. Although an upward trend has been established going from the third and fourth quarters of FY 94 to those of FY 95, which creates an argument that additional increases could be expected in FY 96, limiting the predictions to the rates found in FY 95 indicates that approximately 62.9 percent of purchase card transactions and that approximately 64.8 percent of dollars spent using purchase cards within the DoD in FY 96 will occur in the final two quarters. Applying this to the actual data for the first two quarters of FY 96 (1,198,337 transactions for \$478,230,067)

reveals that a total of 3,230,019 purchase card transactions for \$1,358,608,145 could be expected for FY 96 at completion. Similar calculations for each of the Military Departments resulted in the following estimates for FY 96 totals: Army—1,749,070 purchase card transactions valued at \$680,277,733; Navy—537,693 purchase card transactions for \$295,955,567; and Air Force—798,632 purchase card transactions valued at \$302,843,656.

## APPENDIX E

### Glossary

<b>Account Setup Information</b>	Specific information required by the contractor for each cardholder so that an active account can be established for that cardholder. This information is supplied by each ordering DoD activity directly to the RMBCS.
<b>Accountable property</b>	All real property or leased personal property, regardless of acquisition cost, and all owned personal property with an acquisition cost of \$2,500 or more; or anything else identified by an Agency Property Management Officer that needs to be tracked because it is considered pilferable (subject to theft) or “sensitive.” Sensitive items are classified on an agency-by-agency basis. The inventory for accountable property lists the make and model number, serial number, item description, date purchased, location, and other information captured by the agency.
<b>Agency Program Coordinator (APC)</b>	An individual, typically at installation level, designated by the ordering DoD activity to perform contract administration within the limits of delegated authority. This individual shall have overall responsibility for the purchase card program within his/her activity and may determine the cardholders. There also are APCs at DoD Component and Major Command levels.
<b>Approving Official (AO)</b>	An individual who has under his/her purview a number of cardholders. The approving official is responsible for, at a minimum, reviewing his/her cardholder’s monthly statements and verifying that all transactions made were necessary government purchases and in accordance with Federal Acquisition Regulations (FAR). Other duties may be delegated as agencies see fit. The government uses the Approving Official concept in the purchase card program for internal control purposes to ensure that transactions are necessary and for official government purposes only. The Approving Official is usually the cardholder’s immediate supervisor. (GSA Contract Guide)
<b>“As-Is” Process</b>	A business process re-engineering term that refers to an organization’s current set of processes and activities.
<b>Authorization</b>	The process of verifying that a purchase being made is within the established cardholder limits. Authorization is done by the merchant at the point of sale.
<b>Benchmarking</b>	A business process re-engineering term for measuring against other “world class” organizations the performance or the degree of success achieved by an organization for a given

	activity or customer service stream.
--	--------------------------------------

<b>Best Practices</b>	A set of activities associated with one or more aspects of a core process that result in superior performance levels.
<b>Billing Cycle Office Limit</b>	A dollar limit assigned to each cardholder under each approving official as determined by the ordering DoD activity. Any office limit may be assigned in increments of \$100 up to \$999,900. The office limit primarily is used for budgetary control purposes and may be adjusted up or down at any time.
<b>Billing Cycle Purchase Limit</b>	The spending limit imposed on a cardholder's cumulative purchases in a given billing cycle. Any purchase limit may be assigned in increments of \$100 up to \$999,900. This limit may be adjusted as ordering DoD activities deem appropriate and shall be established for each cardholder account.
<b>Blanket Purchase Agreement (BPA)</b>	A simplified method of filling anticipated repetitive needs for supplies or services similar to a "charge account" with qualified sources of supply. These can be used if there is a wide variety of items in a broad class of goods (e.g., hardware) that are generally purchased but where the exact items, quantities, and delivery requirements are not known in advance and may vary considerably. BPAs are designed to accomplish small purchases by eliminating the need for individual purchase orders.
<b>Business Process Re-engineering (BPR)</b>	A methodology to evaluate for change the business practices and processes of an organization. BPR places an emphasis on customer needs and requirements.
<b>Cardholder (CH)</b>	Any individual designated by an agency to be issued a card. The card bears the individual's name and can be used by an individual to pay for official purchases in compliance with agency internal procedures.
<b>Certifying Officer</b>	An individual designated to attest to the correctness of statements, facts, accounts, and amounts appearing on a vouchers, or other documents.
<b>Customer</b>	An individual or organization that requires goods or services.
<b>Davis-Bacon Act (40 U.S.C. 276)</b>	For every contract in excess of \$2,000 for construction, alteration, and/or repair, including painting and decorating of public buildings, shall contain a provision stating the minimum wages to be paid laborers and mechanics.
<b>Delegation of Authority</b>	A document, issued by authorized agency personnel, that establishes the individual as an authorized cardholder. This delegation of authority shall specify spending and usage limitations unique to the cardholder. Each DoD activity, in its internal procedures, must designate who shall be responsible for issuance of these delegations.
<b>Delivery Order</b>	A written order issued against a contract.
<b>Designated Billing Office</b>	The office designated by the ordering DoD activity to receive the official invoice and, in some instances currently, make payments against the official invoice.

<b>Dispute</b>	A disagreement between a cardholder and the RMBCS regarding items appearing on the cardholder monthly statement of account.
<b>Dispute Office</b>	The office designated by the ordering DoD activity to assist the activity and the RMBCS in tracking and resolving disputed purchases or transactions.
<b>Electronic commerce (EC)</b>	A paperless process including electronic mail, electronic bulletin boards, electronic funds transfer, electronic data interchange, and similar techniques for accomplishing business transaction.
<b>Electronic Funds Transfer (EFT)</b>	A term that identifies delivery systems used to transfer electronic payments of funds. These systems are a faster, more secure way of transferring funds in contrast to paper checks.
<b>Executive Order 12931</b>	A Presidential document issued to make procurement more effective in support of mission accomplishment and consistent with recommendations of the National Performance Review. It mandates expansion of the government purchase card and takes maximum advantage of the micro-purchase authority provided in the Federal Acquisition Streamlining Act of 1994 by delegating the authority to the maximum extent practicable, to the offices that will be using the supplies or services to be purchased.
<b>Federal Acquisition Computer Network (FACNET)</b>	The Government-wide Electronic Commerce/Electronic Data Interchange (EC/EDI) systems architecture for the acquisition of supplies and services that provides for electronic data interchange of acquisition information between the government agencies and the private sector.
<b>Federal Acquisition Streamlining Act (FASA) of 1994</b>	The FASA, signed by President Clinton in 1994, repealed or revised more than 200 provisions of law, substantially altering the current procurement processes. It created an essentially deregulated micro-purchase level at and below \$2,500.
<b>File Turn</b>	The average number of calendar days between the time a charge (purchase) is posted and payment is received by the RMBCS.
<b>File Turn Performance</b>	Measured over a period of 6 months, it is the average file turn, excluding disputed amounts.
<b>Financial Summary Report</b>	A monthly report providing summary information for all approving official and cardholder accounts in a particular organization. This report is the official invoice and often is referred to by its RMBCS code: R063.
<b>Float</b>	The time between the disbursement of funds and receipt of payment.
<b>Integrated Materiel Management (IMM)</b>	The assignment of acquisition management responsibility to one department, agency, or the General Service Administration for all of DoD's requirements for the assigned item.



	Acquisition management normally includes computing requirements, funding, budgeting, storing, issuing, cataloging, standardizing, and contracting functions.
--	--

<b>International Merchant Purchase Authorization Card (IMPAC)</b>	A registered trademark provided by RMBCS to identify the Government's VISA credit card.
<b>Master File</b>	An electronic file maintained by the RMBCS. It contains all essential cardholder and approving official information. Elements of this file include cardholder name, account number, a minimum four-line work address, cardholder's spending control limitations, cardholder's finance office, and other elements as discussed in this contract guide.
<b>Media</b>	A broad spectrum of methods used to provide a permanent record of communications (e.g., paper, EDI, electronic, floppy disk, optically stored media, computer disk, microfiche, microfilm, computer-to-computer communications via modem, networks (value added), facsimile, or any other acceptable methods of available communication).
<b>Merchant Type Code</b>	A code used by the RMBCS to categorize each merchant according to the type of business the merchant is engaged in and the kinds of goods and services provided. These codes are used as an authorized activity type code by the ordering DoD activity to identify those merchants who provide goods and/or services that are unauthorized for use by each cardholder.
<b>Micro-purchase</b>	An acquisition of supplies or services (except construction), the aggregate amount of which does not exceed \$2,500.
<b>Ordering Office</b>	The DoD activity that places orders against the RMBCS contract.
<b>Proper Invoice</b>	Defined in FAR 52.232-25, Prompt Payment Act.
<b>Reactivation</b>	The activation of purchase card privileges after suspension.
<b>Reconciliation</b>	The process by which a cardholder verifies the cost, quantity, vendor, destination, accounting information, and other identifying criteria before paying an invoice.
<b>Resource Management Office (RMO)</b>	The installation office charged with funds management, funds control, and possibly funds certification. This office may be referred to as the Comptroller's Office, the RMO, the Installation Resource Management (IRM) office and/or the Budget Office.
<b>Rocky Mountain BankCard System (RMBCS)</b>	The vendor under contract to the General Service Administration to provide government purchase card services to all federal agencies.
<b>Simplified Acquisition Threshold</b>	Raises small purchase threshold from \$25,000 to \$100,000 and renames small purchase threshold "Simplified Acquisition Threshold."

<b>Single Purchase Limit</b>	A dollar limit on each purchase assigned to each cardholder by the ordering DoD activity. The single purchase limit may be up to \$100,000, entered in increments of \$50. This limit may be adjusted as DoD activities deem appropriate.
<b>Small Purchase</b>	As defined by the FAR, Part 13, an acquisition of supplies, nonpersonal services, and construction below the simplified acquisition threshold.
<b>Smart Card Technology</b>	Within a plastic card, a technology that integrates a computer chip medium. The card interacts with card readers that support specific applications, such as building security, banking, or purchasing.
<b>Tax Exemption</b>	The elimination of state and local sales taxes from federal purchases in accordance with state law. The phrase "U.S. Government Tax Exempt" is printed on the front of each purchase card.
<b>To-Be Process</b>	A redesigned process resulting from a business processing engineering effort to which an organization will transition.
<b>U.S. National Credit Card (SF-149)</b>	A card used by the Interagency Fleet Management System (IFMS) for the purchase of fuel, oil, services, maintenance, and repair of IFMS vehicles.
<b>Value-Added Process</b>	A process that represents measurable improvements in terms of meeting customer requirements and organization objectives.
<b>Vision</b>	The result of a process of thinking about a business activity in radically different terms.

## APPENDIX F

### Acknowledgment For Data Gathering Presentations

## Data Gathering And Purchase Card Presentations

ORGANIZATION	PRESENTING PERSONNEL	DATE	SUBJECT	COMMENTS
Army Air Force Exchange Service P.O. Box 660202 Dallas, TX 75266-0202	Mr. Barry Gordon	4-19-96	AAFES Card Usage	(214) 312-4151
Bank of America 1401 New York Avenue, NW Suite 1110 Washington, DC 20005	Mr. William A. Wood Ms. Suzanne K. Matthews Mr. Bruce W. Kuhle	6-3-96	Other Bank Purchase Card Programs	(510) 675-5867
Chase Manhattan Bank, N.A. 2 Chase Manhattan Plaza, 15th Floor New York, NY 10081	Mr. Nicholas V. Leone Mr. Frank Tufano	5-28-96	Other Bank Purchase Card Programs	
Department of Defense Defense Commissary Agency Headquarters Attn: DeCA/OC/ABU 1300 E Avenue Fort Lee, VA 23801-1800	Ms. Linda Barnes	4-16-96	APC Role and U.S. Coast Guard Support	
Department of Defense Defense Finance and Accounting Service Operating Location San Diego 937 North Harbor Drive San Diego, CA 92132-5111	Mr. Ray Lofink	5-24-96	DFAS San Diego Purchase Card Perspective	(619) 532-1207
Department of Defense Defense Logistics Agency Defense Fuel Supply Center - PHA 8725 John J. Kingman Road Suite 2941 Ft. Belvoir, VA 22060-6222	Shelby Yeakley Edward Biddle	5-2-96	Fuels/Airport Services Purchase Card	(703) 767-8501

ORGANIZATION	PRESENTING PERSONNEL	DATE	SUBJECT	COMMENTS
Department of Defense Defense Logistics Agency DLA-MMR 8725 John J. Kingman Road Suite 2733 Fort Belvoir, VA 22060-6221	Captain Bill Jenkins Mr. Phil Church	5-16-96	Emerging Technology Initiatives in DLA; Electronic Catalog, DLA Business Practices Changes	(703) 767-3777 (703) 767-3780
Department of Defense Defense Mapping Agency 8613 Lee Highway Fairfax, VA 22031-2137	Ms. Debbie Loudon Ms. Donna Clark	4-12-96	Automated IMPAC Reconciliation Program	
Department of Defense Defense Printing Service 8725 John J. Kingman Rd., Suite 3239 Fort Belvoir, VA 22060	Richard DeNeane and Staff	5-7-96	DPS Demonstration of Intra/InterAgency Collection System with Mellon Bank	(703) 767-4210
Department of Defense Office of the Inspector General 400 Army Navy Drive Arlington, VA 22203	Dr. Frank Ponti Mr. Frank Sonsini	4-16-96 4-30-96	Statistical Sampling for Budgeting	
Department of Defense Washington Headquarters Services Room 3D972, 1100 Pentagon Washington, DC 20301	Mrs. Robin Roberts	4-12-96	Data Base Demonstration	
Department of Defense Office of the Deputy Under Secretary of Defense (Logistics)/MDM Room 3E114, 1100 Pentagon Washington, DC 20301	Mr. Tom Carter	4-26-96	DoD Material Management Brief	
Department of Defense Office of the Under Secretary of Defense (Comptroller) Program Budget (P&FC) Room 3B872, 1100 Pentagon Washington, DC 20301	Mr. Marty Frisch	5-16-96	Object Class Budgeting	DSN 574-3379

ORGANIZATION	PRESENTING PERSONNEL	DATE	SUBJECT	COMMENTS
Department of Defense Officer of the Under Secretary of Defense (Comptroller)/ODCFO Room 3E825, 1100 Pentagon Washington, DC 20301	Ms. Karen Alderman Mr. Wayne Ogburn	5-24-96	Travel Reengineering Program	
Department of the Air Force SAF/SQCO 1060 Air Force Pentagon Washington, DC 20330-1060	Chief Master Sergeant David Williams	4-18-96	US Air Force APC	
Department of the Air Force Headquarters Air Combat Command Langley Air Force Base, VA	LtCol Steve Tye Tsgt Don Otey	5-16-96	Air Force Command Perspective	
Department of the Army Fort Lewis-Defense Finance and Accounting Service Building 4174 Fort Lewis, WA 98433-5000	Mr. Ray Bailey Ms. Anne Belle Ms. Candice Johnson Mr. Charles Clarke - DAO Ms. Victoria Leggette - DAO	5-14-96	Fort Lewis Automated IMPAC System	
Department of the Army Military District Washington Fort McNair Washington, DC	COL Sharon Volgyi	5-14-96	MDW Automated IMPAC System	
Department of the Army Fort Sill and Defense Finance and Accounting Service Fort Sill, OK	Mr. Chip Bates-DFAS Ft Sill Mr. Bernard Valdez Ms. Vickie Owers	5-14-96	Fort Sill Automated IMPAC System	
Department of the Army 109 Army Pentagon Washington, DC	Mr. Bruce Sullivan Ms. Kathy Miller	4-17-96	Army IMPAC Program and Issues	

ORGANIZATION	PRESENTING PERSONNEL	DATE	SUBJECT	COMMENTS
Department of the Navy Naval Air Warfare Center Weapons Division Code 230000D China Lake, CA 93555-6001	Ms. Joanne Monastero Mr. Mike Calimlin Mr. John Watkins	5-1-96	Automated IMPAC Reconciliation Program Demonstration	Meeting to discuss issues of accounting policy
Department of the Navy Patuxent Naval Air Station Building 405, MS2 NAWCAD Patuxent River, MD 20670	Ms. Karen Gray Ms. Sandra Sableski	5-1-96	Automated IMPAC Reconciliation Program Demonstration	
Department of the Navy US Marine Corps Marine Corps Logistics Base Albany Contracts Directorate Code 89 P.O. Drawer 43019 MCLB Albany Albany, GA 31704-3019	Mr. Charles Nobes Ms. Cecelia Trujillo	4-18-96	IMPAC Program; Installation Level Roles Using IMPAC	Check Issue System to Replace Imprest Funds
Department of the Navy Naval Supply Systems Command Headquarters 1931 Jefferson Davis Hwy, Room 622 Arlington, VA 22240	CAPT John Pledger CAPT David Capizzi	5-16-96	IMPAC On-Board Ship	
Department of the Treasury Financial Management Service Liberty Center 401 14th Street Washington, DC	Mr. Paul Gist Ms. Cathy Donchatz Ms. Elaine Harvey Ms. Sally Phillips Mr. Eric Beasley	4-17-96	Intra/InterAgency Collection Program	
Department of the Treasury Financial Management Service Chicago Financial Center 536 S. Clark Street Chicago, IL 60605	Ms. Ollice Holden Mr. Pete Bishop	5-2-96	FEDSELECT	
Department of Transportation United State Coast Guard Financial Support Branch 1430A Kristina Way Chesapeake, VA 23326	Mr. Edward G. Burgh	4-16-96	USCG IMPAC Program	



ORGANIZATION	PRESENTING PERSONNEL	DATE	SUBJECT	COMMENTS
General Services Administration Federal Supply Service Services Acquisition Center Washington, DC 20406	Mr. Ralph Hostetter Ms. Teresa Sorrenti	5-8-96	GSA Advantage Supply System	
General Services Administration Federal Supply Service Services Acquisition Center Washington, DC 20406	Ms. Doris Marsh	4-16-96	IMPAC Program with RMBCS	Member
Intel Corporation Corporate Purchasing CH10-41 145 South 79th Street Chandler, AZ 85226	Mr. Craig A. Fruehan	6/6/96	Corporate Program	
Management Concepts, Inc. 8230 Leesburg Pike, Suite 800 Vienna, VA 22182	Mr. John Repetti Mr. Joe Klem Mr. Thomas F. Dungan, III	6-17-96	CD-ROM IMPAC Training Package	(703) 790-9595 FAX (703) 790-1371
Rocky Mountain Bank Card System 1400 Eye Street, NW Washington, DC 20005	Mr. Phil Johnson Mr. David Clants Mr. Craig Spencer Mr. Mark Jester Ms. Jeanne Coco	4-16-96 4-23-96	IMPAC Program and Implementation Briefs	
U. S. Department of Agriculture Purchase Card Implementation Team Room 1566 South Building 14th & Independence Street, SW Washington, DC 20250	Ms. Sue Poetz Ms. Cheryl White Ms. Janet Elm Mr. Cyril Prattini Ms. Linda Wilson Mr. Keith Taylor Ms. Belinda Ward	4-29-96 5-14-96	USDA IMPAC Program, Business Case Reengineering and Demonstration	(202) 690-3756
United States Postal Service 475 L'Enfant Plaza SW Washington DC 20260-6209	Mr. George E. Melendez Mr. Sam Guttman	4-19-96	U.S. Postal Service Program	(202) 268-5693
<b>As of June 18, 1996</b>				

## **APPENDIX G**

### **Flow Charts (As-Is Model)**

## Current Process (Micro-purchase)

The figures and descriptions in the following discussion reflect the current process for use of the purchase card within the Department of Defense. This model represents a top-level view of the basic steps uniformly performed among the DOD activities. The methods to accomplish these steps, however, vary significantly between activities. Major differences exist in assignment of program responsibilities, extent of pre-approval and screening procedures, and in decision-making authority. Additionally, the mechanisms made available to cardholders are as different within the DOD activities as they are between them. For analysis, the current process model is divided into six general sections, each containing basic procedures:

- ★ Establishment/implementation of the purchase card program to include account and cardholder setup.
- ★ Funding.
- ★ Identification of sources (FAR, Part 8).
- ★ Special requirements (hazardous material, ammunition, data collection, etc.).
- ★ Purchase.
- ★ Reconciliation.

### A. Establishment and Implementation of the Purchase Card Program

#### 1. Account Setup

Figure 1 presents the steps to setup an account. The GSA Guidebook describes procedures for establishing new accounts and adding/changing cardholders and approving officials.

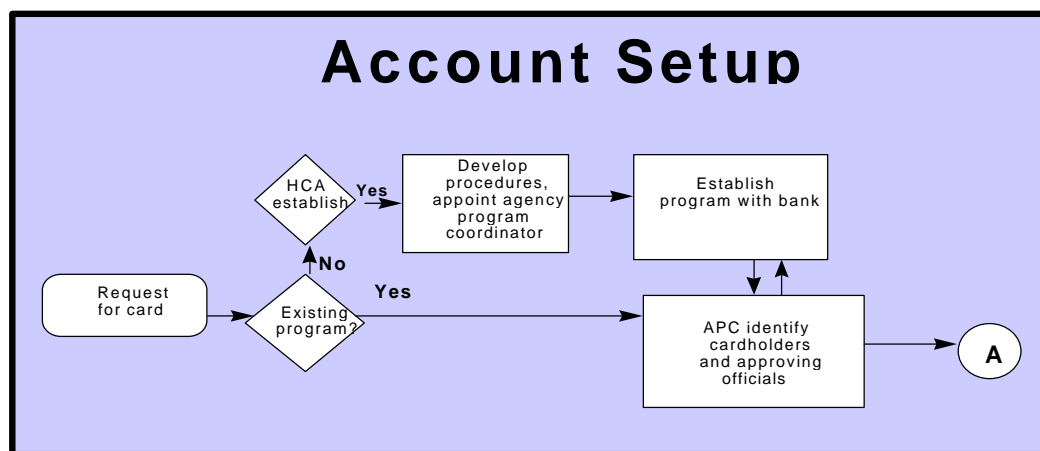


Figure 1

Once an activity decides to implement the purchase card program, it issues a delivery order against the GSA contract with RMBCS. The delivery order specifies the name, address, and telephone number of the local APC and designates points of contact for the billing and disputes offices. RMBCS has 15 working days from delivery order acceptance to contact the APC to develop an implementation plan. Generally throughout the Department of Defense, APCs' responsibilities have been consistently designated to the contracting office, largely because authority to purchase comes from the heads of the contracting activities (HCAs). Identification of points of contact for the billing and the disputes offices differ between and within DOD activities. Their selections vary from the APC or another member of the contracting office, or individuals located within the budget office, finance office, payment office, or from other related communities within an activity. Some DOD activities are currently standardizing the functional location of these positions. For example, Army policy identifies the billing office point of contact as the payment office servicing an activity such as the Defense Finance and Accounting Service (DFAS). Others generally identify the billing office point of contact as the local contracting office. Most often, the designation of the billing office results from negotiations between the payment office and the APC.

## 2. Cardholder Setup

Once an activity establishes a program, RMBCS provides account setup forms to the APC to be completed for each cardholder and approving official. The account setup information includes each cardholder's single purchase limit, monthly limit, and name of the approving official (usually a supervisor). Transmission format of the setup forms varies greatly within the Department of Defense. RMBCS accepts the forms via paper, computer-to-computer communication, facsimile, bank-established electronic data formatted transmission, or other mutually acceptable method. Most activities continue to use paper and facsimile transmissions to establish and update cardholder accounts. There are 1812 local activities (level 4) with purchase card programs in the Department of Defense. Only 282 or 16% have electronic access to RMBCS for cardholder setup and file maintenance. The point at which individuals are identified for cardholder setup also varies within DOD. Figure 2 and the description below explain typical procedures performed within DOD activities for establishing card limits, training, delegation of authority or appointment of cardholders, and issuance of cards by RMBCS.

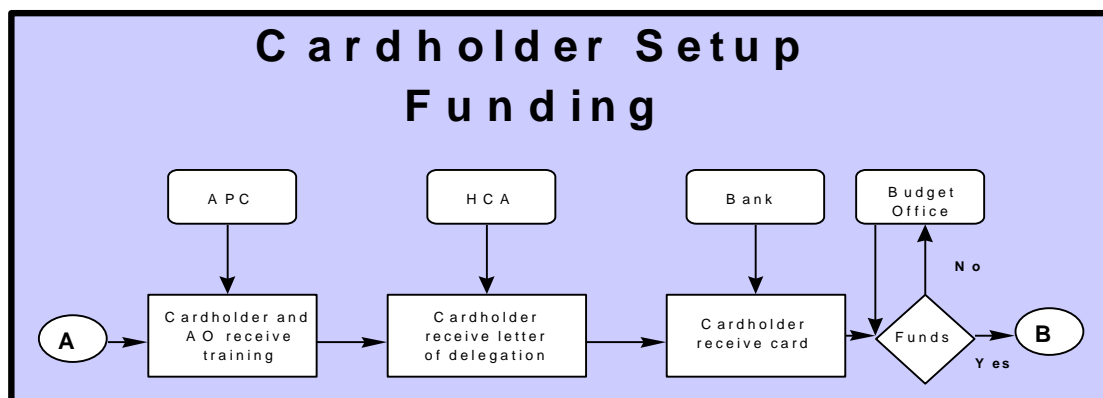


Figure 2

**a. Card Limits**

A dollar threshold is established for each cardholder and approving official. The cardholder has a *single-purchase dollar limit* and the 30-day *monthly billing-cycle purchase limit*. The approving official has a 30-day monthly billing-cycle limit, which maybe the total sum of all cardholder 30-day limits.

A single-purchase dollar limit is determined by the activity; this limit usually does not exceed \$2,500. The single-purchase limit is established by the APC with input from the approving official after determining a dollar value the cardholder is expected to require for individual purchases.

The 30-day monthly billing-cycle limits for the cardholder and approving official are established by the APC after input from the budget office and the approving official. Within DOD activities, the 30-day billing-cycle limits are often tied to the funding allocation process. Most DOD activities tie approving officials' monthly limits directly to the total funds allocated to their cardholders.

**b. Training**

The Department of Defense did not establish training requirements for use of the purchase card. Rather, it left to the discretion of the individual activities the extent of training required to ensure personnel use the card within the prescribed procedures. Thus, activities developed a variety of training courses. These courses range from local installation instructions, to service or agency courses, to Defense Acquisition University courses. Some activities also allow use of a GSA-developed course available on CD-ROM. Basically, training is accomplished on laws, regulations, policies, and procedures pertaining to micro-purchases and simplified acquisition procedures. In addition, training on funding, supply, and other functional areas is provided. Local instructions typically cover areas such as supply, maintenance, property control, and fiscal responsibilities. Some activities (e.g., Army, DMA) also provide all cardholders with procurement integrity training, while others provide this training only to cardholders designated as procurement officials (those expected to purchase more than \$20,000 worth of goods and services during a 12-month period). The length of training also varies within the Department of Defense, ranging from 4 hours to 1 week. In some cases, agencies require cardholders with single purchase limits exceeding the micro-purchase limit to complete either Purchasing 101 and Purchasing 201 or Contracts 101 offered by the Defense Acquisition University.

**c. Delegation of Authority (Appointment)**

GSA procedures require cardholders be appointed in writing. Generally, the HCA or authorized designee within the DOD activity delegates the procurement authority to the cardholder. Letters of delegation to cardholders range in formality from limited warrants using the SF 1402— Certificate of Appointment to informal letters as described in the GSA Sample Procedures..

#### d. Issuance of Cards

RMBCS forwards the purchase card to the cardholder (or the APC or approving official as designated) within 5 working days from receipt of the setup information or, if received electronically, within 2 working days. Upon receipt of the card, the cardholder must activate the card by calling the Voice Response Unit provided by RMBCS. This procedure provides an internal control to ensure the card has been received by the cardholder.

### B. Funding

Funding for cardholders takes place at different points within the Department of Defense. Some activities (e.g., Air Force) request funding for cardholders during cardholder setup, prior to training and delegation of authority, while other activities (e.g., Army) provide funding the same time they identify individuals for cards. Still others (e.g., DMA) request funding only after cardholders have received purchase card training. In all cases, the card limits can be directly associated with available funding by the activities.

Cardholders are required by statute to ensure that sufficient funding is available to cover proposed transactions made with the purchase card. However, the procedure of acquiring this allocation of funds varies significantly within, as well as between, various DOD activities. For example, in many activities, cardholders are required to request funding each time they have a requirement, while others provide the cardholder bulk funding (defined as an allocation of a certain sum of money to a cardholder to be used over a specified length of time—usually quarterly). For those activities requiring funding approval prior to purchase card transactions, the cardholder must contact the budget/finance officer to obtain proper funding documentation. Prior to release of funds, the finance/budget officer annotates information in the accounting journal, showing evidence when the money will be spent for each purchase card transaction. At the end of the month, the cardholder is required to enter this accounting data next to every card transaction listed in the monthly Statement of Account. The payment offices manually post and track each and every purchase card transaction as if they were individual invoices.

After the cardholder signs the monthly Statement of Account, it is forwarded through the approving official to the payment office. (*See cardholder reconciliation process*). The payment office must then manually enter each transaction as if it is a separate invoice because each transaction is annotated with a discrete line of accounting data. Additionally, some activities within the Navy use multiple accounting lines (some with different payment offices), with the same card. When the monthly statements are reconciled, they have to be broken out manually so that the transactions can be paid by the correct payment offices.

### C. Identification of Sources

**General**—Once a requirement has been identified by the cardholder, several decisions need to be made regarding the sources for the supplies or services. These decisions are illustrated in Figure 3. The priority of sources is dictated by FAR, Part 8. In order of priority, the sources are local inventories, Federal Prison Industries (FPI), Industries for the Blind and Severely Disabled, wholesale supply sources, Federal Supply Schedules, and commercial sources. The cardholder is required to screen these sources in order of priority to determine if

they can satisfy the requirement. Federal Supply Schedules are no longer mandatory for the Department of Defense's use.

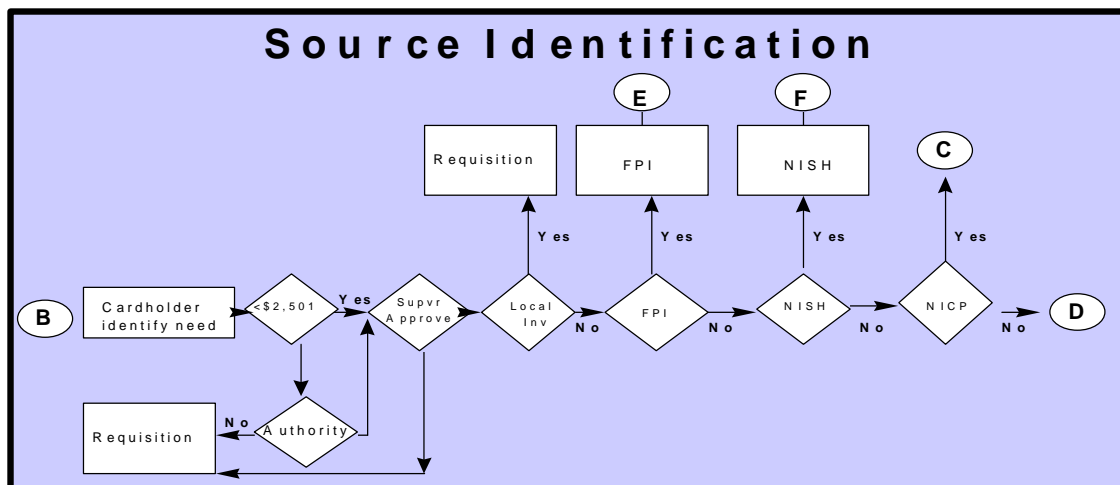


Figure 3

### 1. Local Inventories

Local inventories are those inventories maintained at the activity or installation. These inventories can be office supplies maintained in a self-service supply center or stocked or excess items maintained by the local supply community in response to activity demands to include Defense Reutilization Marketing Office (DRMO).

### 2. Federal Prison Industries

Federal agencies are required by law to obtain items manufactured or produced by FPI prior to acquiring those items from commercial sources. In cases where FPI is unable to supply the items as needed, waivers are granted. Typically, FPI manufactures furniture and other related items. FPI recently created a Quick Ship catalog for government agencies. FPI accepts the purchase card for all Quick Ship catalog buys and guarantees that the products will be shipped within 30 days of order.

### 3. Items Produced by Industries for the Blind and Severely Disabled

The Javits-Wagner-O'Day (JWOD) Program was established in 1971 to increase employment and training opportunities for people who are blind or have other severe disabilities and, whenever possible, to prepare them for competitive employment. Under the JWOD Program, federal agencies are required to buy products and services furnished by nonprofit agencies employing such individuals.

The Committee for Purchase From People Who Are Blind or Severely Disabled is the federal agency that administers the JWOD Program, deciding which supplies and services must be purchased and determining the prices government agencies will pay for those items.

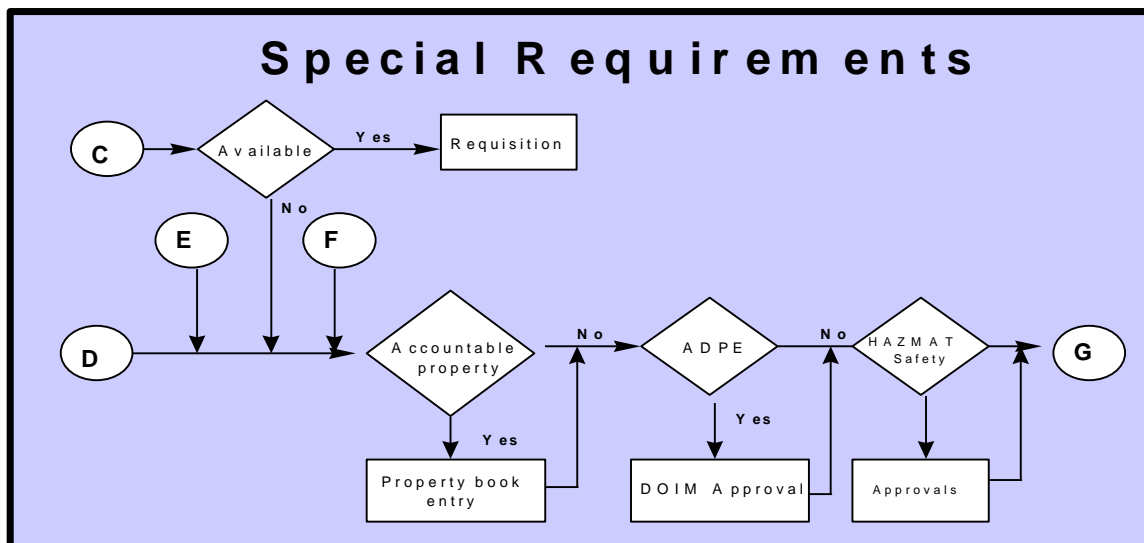
JWOD items are available to government activities only through GSA, DLA, or specific contractors authorized to order from GSA. Items include office supplies, textiles, and industrial products such as paints and cleaners. Participating nonprofit agencies also perform many services, from janitorial/custodial services to administrative services or micrographics work. Cardholders must use catalogs or some other method to determine which items are produced by NIB/NISH.

#### 4. Wholesale Supply Sources

Approximately 4.8 million items in the DOD wholesale supply system are centrally managed by DOD inventory managers. Organizations that require managed supplies should generally requisition the supplies from the assigned inventory manager. Currently, the cardholder is responsible for checking the supply system for availability of managed items. Under certain conditions, the DFARS authorizes organizations to bypass the inventory manager and locally procure supplies. If obtaining the item through the supply system does not offer the best value in terms of time, cost, or quality to the activity, local purchase authority is generally granted by the supply officer. A recent change to the DFARS eliminated the requirement to document the best value justification for local procurement of micro-purchases.

#### D. Special Requirements

After the source of supply has been determined, the cardholder must determine if any special requirements must be satisfied prior to purchasing the item. These special requirements, described in Figure 4, may include property accountability, review of automated data processing equipment (ADPE), and handling and storage of hazardous material (HAZMAT) and sensitive items (ammunition and weapons).<sup>8</sup> Valid concerns for personnel safety and environmental protection exist, and DOD activities address them in various ways. Some activities strictly prohibit the use of the card to purchase these items while others impose special reviews and pre-approvals prior to their purchase.



<sup>8</sup> (Regulatory references to be obtained.)



Figure 4

## E. Purchases

Figure 5 illustrates the following purchasing process. Once the screening has been accomplished, a determination has been made as to the appropriate source of supply, and all required approvals have been granted, the cardholder obtains a quote from a vendor. If the cardholder determines that the quoted price is fair and reasonable based on his/her knowledge of market prices, an order is then placed with the vendor. If the purchase price is not considered reasonable, the cardholder locates another source with a fair and reasonable price. Purchases to NISH at higher-than-commercial-market prices are acceptable. (Records of competitive bids and quotes are not required.) Cardholders are required to rotate sources of supplies/services.

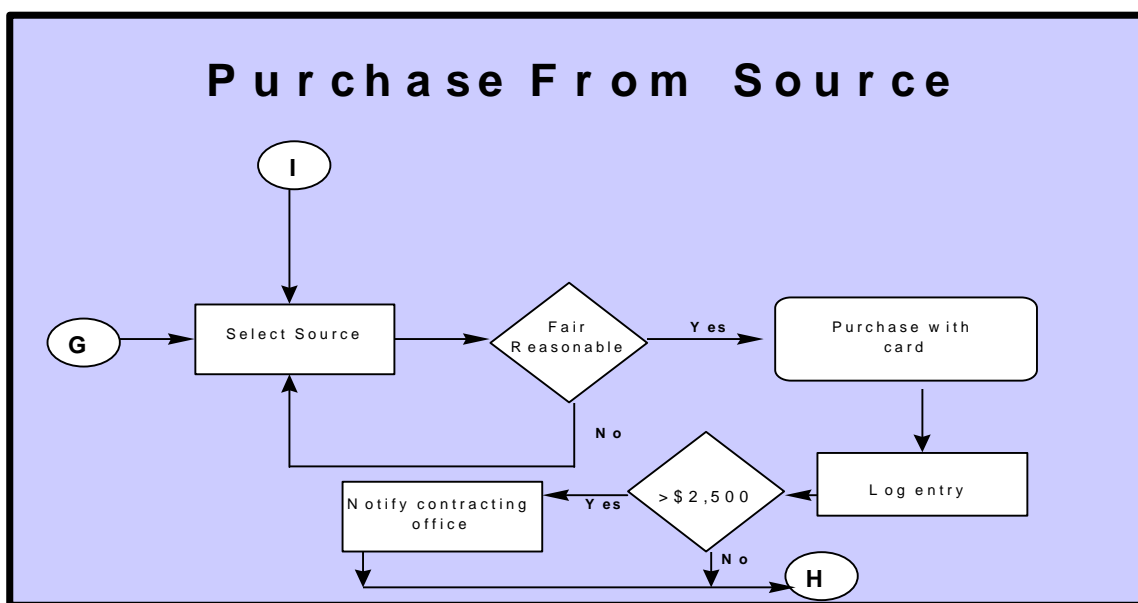


Figure 5

Every time a payment is authorized for a purchase, whether it is done over the counter or by telephone, a document must be retained as proof of purchase. These documents will later be used to verify (reconcile) the purchase shown on the cardholder statement issued at the end of the monthly billing period. If the purchase is over the counter, the cardholder retains a copy of the charge slip which becomes the accountable document. If the transaction is made over the phone, the cardholder records the transaction and maintains the documentation, which should include the vendor's name, price quote, item identification, and date of purchase, for later reconciliation with the monthly statement. The cardholder should also request the vendor to send a receipt.

Maintaining a file or record of transactions is accomplished differently within the Department of Defense. Many activities maintain simple paper logs of transactions including date of order or purchase, item purchased, price, and the vendor. Other activities have developed automated tracking systems to assist cardholders in tracking purchases and reconciling their card statement at the end of the billing period. Defense Mapping Agency, Fort Lewis,

Military District of Washington and other activities developed their own automated tracking system. They enter purchases and other data into the program at the beginning of the billing period and reconcile the program with the accounting records. While automated programs assist in tracking purchases and in the reconciliation of accounting records, cardholders do not always have access to terminals and many prefer to maintain a simple handwritten log of purchases. The United States Postal Service (USPS) and the United States Department of Agriculture (USDA) populate their data base by downloading the RMBCS transaction data into their system. Cardholders then supplement the RMBCS information with item descriptions and accounting data. Some of the home grown programs interface with the accounting systems to ease account reconciliation, however, most do not. The Army's Military District of Washington's system also provides cardholders with a "checkbook" balance. As cardholders enter transactions or purchases into the system, the system maintains an available funds balance and does not authorize additional purchases when funds are not sufficient to cover them.

## F. Reconciliation

Monthly reconciliation procedures are identified in the GSA sample procedures and the Federal Supply Schedule for the purchase card. This procedure is illustrate in Figure 6. The RMBCS distributes three monthly documents within five working days after the end of the 30 day billing cycle. The first is the Cardholder Statement of Account (CSOA) which lists all purchases, credits and other transaction data that the cardholder made during the billing period. The second, R090, is the Approving Official Summary (AOS) which contains a summary of all charges made by cardholders under each Approving Official. The third report, R063, is the Official Billing Invoice, RO63, which provides summary for all Approving Official and Cardholder accounts in a particular agency organization. This report is the official invoice.

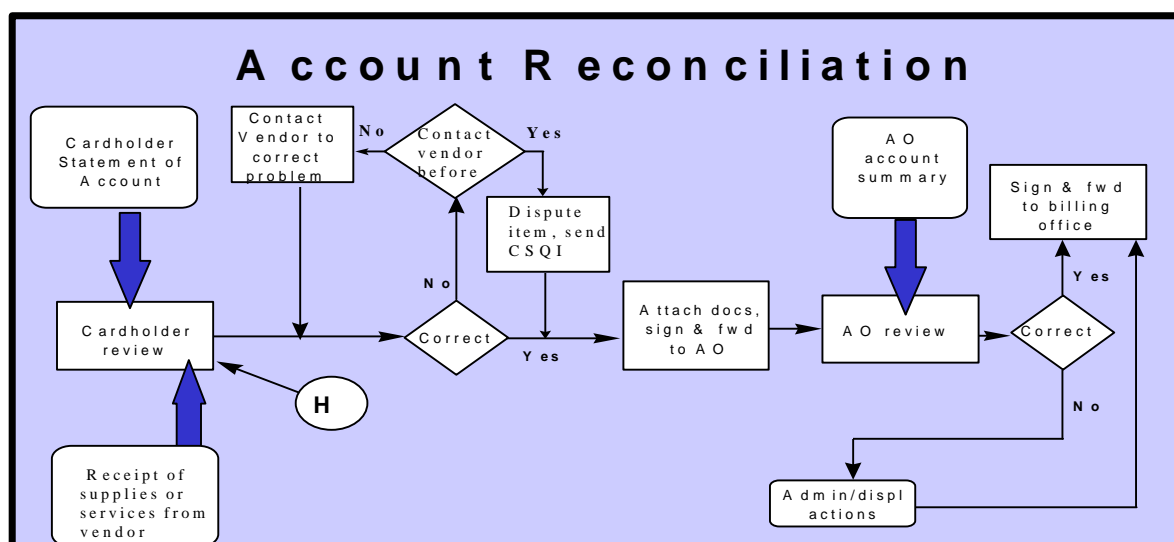


Figure 6

The reports can be forwarded in paper, on diskette or be electronically transmitted. The Department of Defense has 1812 level four activities participating in the purchase card program. Of these, only 27 (1%) receive their monthly statements electronically.

## **1. Cardholder Reconciliation**

When the Cardholder's Statement of Account is received, the cardholder verifies the information on the statement and fills in the appropriate accounting classification (if not the same as the master accounting code), and a description of each purchase. If all charges are valid, the cardholder must then sign the cardholder Statement of Account, attach all supporting documentation, and forward it to the Approving Official or designated alternate. If an item has been returned and the credit voucher received, the cardholder will verify that the credit is reflected on the statement. If items purchased with the card are found to be defective (price, quantity, quality), the cardholder is responsible for obtaining replacement or correction of the item from the merchant as soon as possible. If the merchant refuses to replace or correct the faulty item, the purchase of the item will be considered in dispute. If a cardholder receives a statement of account that lists a transaction for merchandise that has not been received, is defective or a transaction which includes an unauthorized charge, the cardholder is to attempt to resolve the charge with the vendor. If attempts to resolve the situation with the vendor are unsuccessful, the cardholder is to notify the disputes official. The cardholder disputes the charge by completing a Cardholder Statement of Questioned Item (CSQI) form. RMBCS credits disputed transactions until resolved. A copy of the CSQI must be sent to the appropriate designated billing office. If for some reason the cardholder does not have documentation to support a purchase he must attach an explanation that includes the description of the item, date of purchase, merchant's name and why there is no support documentation being provided.

Activities differ in the handling of charges for items not yet received. Some activities will automatically initiate a CSQI and remove the charge from the Statement Of Account. Other activities will wait until the next billing period to see if the item is received before initiating a CSQI. RMBCS estimates over 99% of disputes are resolved without credit and items billed but not received are usually received prior to the next bill. The method of funding is a significant factor in determining the effort in reconciling the monthly statements of account. If the cardholder was bulk funded, the single line of accounting can be encoded on the card or the cardholder annotates the accounting data once on the top of his monthly statement. If the cardholder received individual funding for each transaction, he must write in the accounting data for each and every transaction. If the cardholder was provided funding from separate accounting lines, payable by different payment offices, as has sometimes occurred within the Navy, the cardholder also has to separate the transactions (cut and paste) and handle them as if they were separate invoices going to different payment offices.

## **2. Approving Official Certification**

The Approving Official is responsible for reviewing the signed Cardholder's Statement of Account. Review should assure agency's procedures for the card's use have been followed and all purchases were for bona fide Government needs. Use of the card for other than official purposes should result in the supervisor taking

appropriate administrative and/or disciplinary actions with the cardholder. Once the statement has been reviewed and signed, the approving official forwards the Cardholders' Statements of Account to the designated billing office.

### **3. Billing Office**

Once cardholder statements of account are certified by the cardholder and the approving official, they are forwarded to the billing office for payment. The billing office accumulates the various cardholder statements and reconcile them to the official invoice. If an item is disputed and the cardholder forwards the SOA with the CSQI, the charges associated with the disputed item(s) are removed from the Official Invoice. When disputed items are removed from the invoice, the payment office is required to complete a Notification of Invoice Adjustment and forward it with the invoice payment (less disputed charges) to RMBCS.

Subsequent cardholder statements of accounts, approving official summaries and invoices do not list disputed charges. Disputed transactions are recorded on RMBCS report F107 until resolved. The Billing Office, APC and the Cardholder receive the F107 report for applicable disputes on a monthly basis. Once a disputed item is resolved (replacement, receipt or credit), the F107 will show resolution. Charges are now due for the resolved disputes. Payment of resolved disputes differs within and between activities. Once cardholders resolve disputes they must notify the billing office to pay the charges incurred. Some cardholders simply add the now resolved disputes on their current statement of account Others attach the F107 and notify the billing office that the charge is now due. The lack of continuity and the lack of traceability to the original invoice creates a problem for both the billing office and RMBCS. Monthly cardholder reconciliation between the bank statement and disputed items to the original invoice is essential in assuring proper payments on invoices.

Dependent on how accounts were established, reconciliation of the individual certified cardholder statements of account against the official invoice may be accomplished at other than the payment office. In those cases where the APC or contracting office was identified as the billing office, they receive the Official Billing Office Invoice. The reconciled invoice is then forwarded to the disbursing office for payment

## **APPENDIX H**

### **OUSD(C) Memorandum of May 14, 1996**

## **APPENDIX I**

**USD(C) Memorandum of May 28, 1996**

**(Property Accountability)**

## APPENDIX J

### Enactment of Certifying Officer Legislation

Section 913 of Public Law 104-106, the National Defense Authorization Act for Fiscal Year 1996, amends sections of Title 31, United States Code, relating to certifying officers. The amendment makes these provisions applicable to the Department of Defense. Specifically, 31 U.S.C. 3325 (Vouchers) permits the Secretary of Defense to delegate authority to certify vouchers to members of the Armed Forces, and 31 U.S.C. 3528 (Responsibilities and Relief from Liability of Certifying Officials) now applies to certifying officials within the Department of Defense.

The DoD Office of the Deputy Chief Financial Officer has oversight for implementing these statutory changes, which will be reflected in a forthcoming revision to Volume 5, “Disbursing Policies and Procedures,” of the DoD Financial Management Regulation (DoD 7000.14-R). These changes will make certifying officers personally accountable and pecuniarily liable for the correctness of payments based on their certifications. This includes assuming responsibility for subordinates’ work used as the basis for certification.

Personal accountability means that the certifying officer of an improper payment may be held liable for repayment to the government amounts improperly paid. This generally is referred to as “pecuniary liability.” Relief from liability may be granted by the Comptroller General of the United States based on the due diligence of the certifying officer. In certifying a voucher, the certifying officer is responsible, under 31 U.S.C. 3528, for—

1. Information stated in the certificate, voucher, and supporting records.
2. The computation of a certified voucher amount.
3. The legality of a proposed payment under the appropriation or fund involved.
4. Repaying a payment that—
  - a. is illegal, improper, or incorrect because of an inaccurate or misleading certificate
  - b. is prohibited by law
  - c. does not represent a legal obligation under the appropriation or fund involved

Coincidentally, this change to Title 31 permits a streamlining of the IMPAC invoice payment process. By appointing a certifying officer at the installation/activity level, there will be no need for the DFAS also to reconcile and certify those invoices; that responsibility can reside at the activity level. The activity already reviews and reconciles their RMBCS invoices. Certification of those invoices at activity level will eliminate the redundant reconciliation by the DFAS and the associated delays in making payments to RMBCS.

## APPENDIX K

### Procurement Procedures Decision Tree (prior to 31 December 1999)

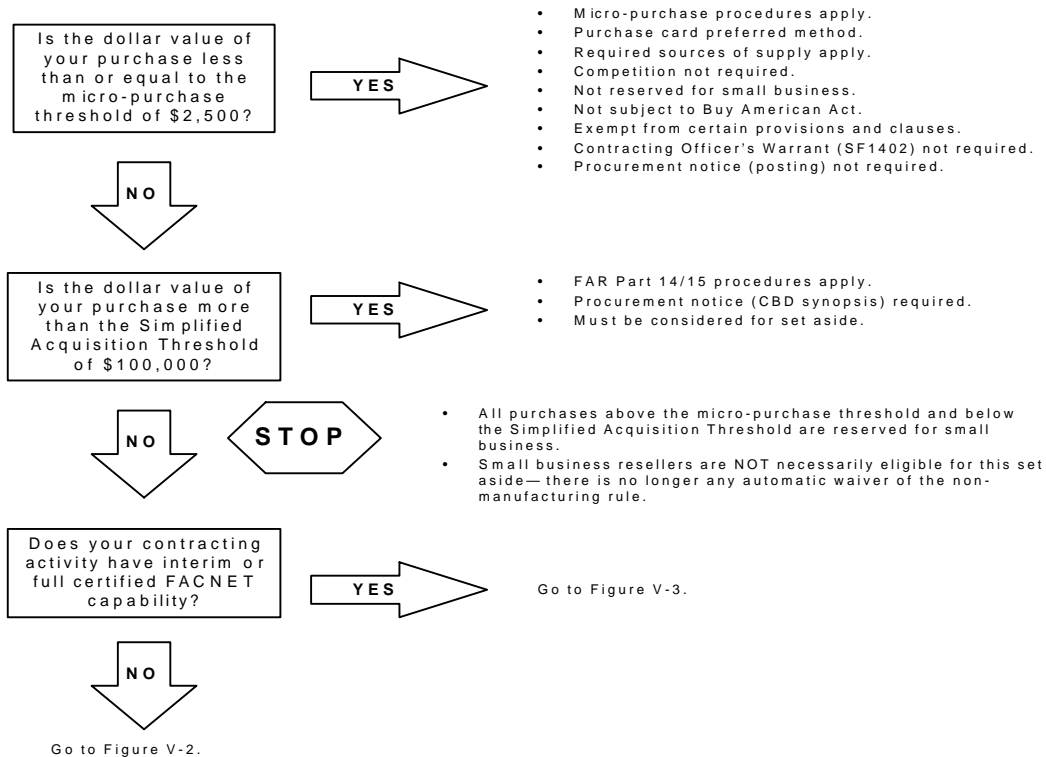


Figure V-1



**Procurement Procedures Decision Tree**  
**Contract Activities NOT FACNET Certified**  
**Purchase Value Over \$2,500 but Not Exceeding \$100,000**

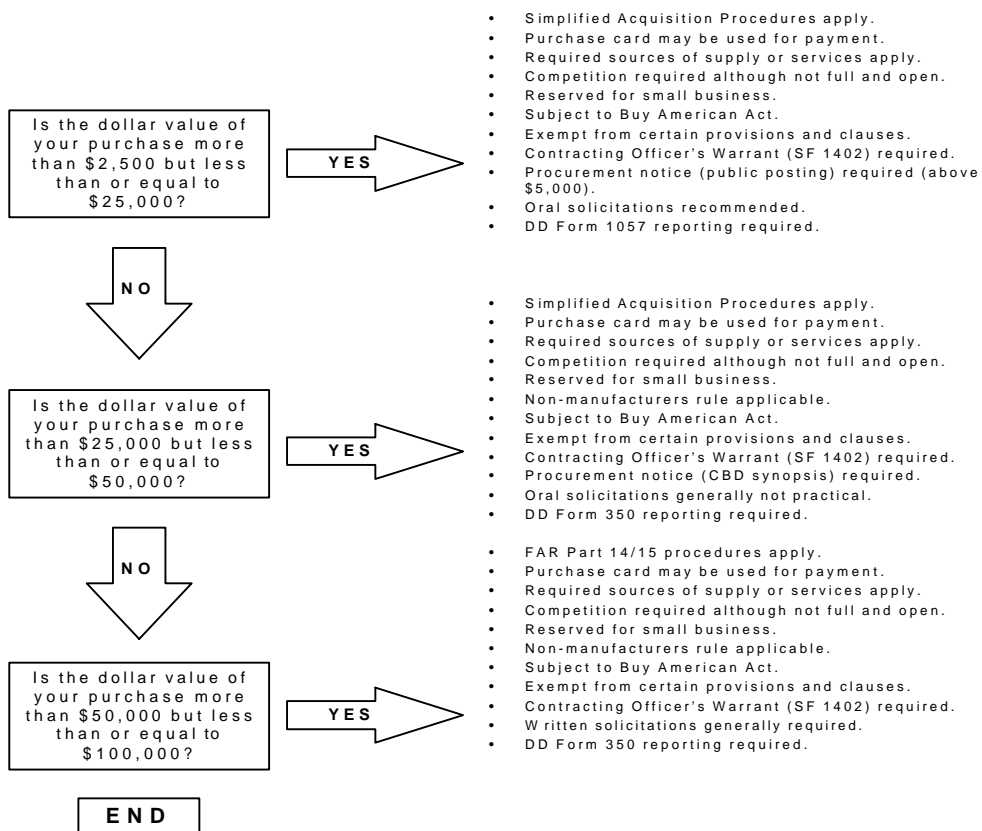
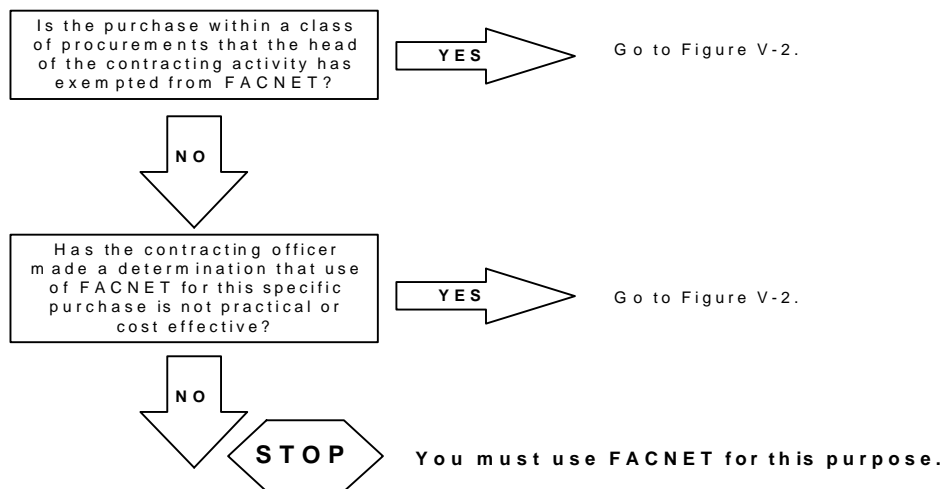


Figure V-2

**Procurement Procedures Decision Tree**  
**Contract Activities WITH Interim Certified FACNET**  
**Purchase Value Over \$2,500 but Not Exceeding \$100,000**



- Simplified Acquisition Procedures apply.
- Purchase card may be used for payment.
- Required sources of supply or services apply, but not on FACNET.
- Competition required although not full and open
- Reserved for small business.
- Subject to Buy American Act.
- Exempt from certain provisions and clauses.
- Contracting Officer's Warrant (SF1402) required.
- Oral solicitations may not be used.
- DD Form 1057 or DD Form 350 reporting required.

Figure V-3

APPENDIX L

AMLC Certificate

## APPENDIX M

### Contract Actions (1991–1995)

The statistics below provide the number of contract actions\* and dollars spent from those actions from FY 91–FY 95 at varying funding levels. (Note: The \$0K–\$10K include the \$0K–\$2.5K figures, and the \$0K–\$25K includes the \$0K–\$10K figures. The number of contract actions above \$25K do not include FMS and Interagency actions. This number is not cumulative)

	<b>Contract Actions</b>	<b>% Contract Actions</b>	<b>Dollars</b>	<b>% Dollars</b>
<b>FY 91</b>	(Thousands)		(Billions)	
\$0K–\$2.5K	5,228	85.3	\$2.3	1.7
\$0K–\$10K	5,749	93.8	\$4.4	3.3
\$0K–\$25K	5,899	96.3	\$6.4	4.8
>\$25K	229		\$126.3	
<b>TOTAL</b>	<b>6,128</b>		<b>\$132.7</b>	
<b>FY 92</b>				
\$0K–\$2.5K	5,361	85.6	\$2.4	2.0
\$0K–\$10K	5,910	94.4	\$4.8	4.0
\$0K–\$25K	6,050	96.6	\$6.8	5.7
>\$25K	213		\$113.4	
<b>TOTAL</b>	<b>6,263</b>		<b>\$120.2</b>	
<b>FY 93</b>				
\$0K–\$2.5K	5,250	85.9	\$2.4	2.0
\$0K–\$10K	5,730	93.8	\$4.6	3.9
\$0K–\$25K	5,882	96.3	\$6.8	5.7
>\$25K	227		\$112.3	
<b>TOTAL</b>	<b>6,109</b>		<b>\$119.1</b>	
<b>FY 94</b>				

\$0K-\$2.5K	4,962	85.9	\$2.3	2.0
\$0K-\$10K	5,418	93.8	\$4.4	3.8
\$0K-\$25K	5,560	96.2	\$6.6	5.7
>\$25K	217		\$108.4	
TOTAL	5,777		\$115.0	

**\*\*FY 95**

\$0K-\$2.5K	4,545	83.9	\$2.1	1.9
\$0K-\$10K	5,014	92.6	\$4.2	3.7
\$0K-\$25K	5,184	95.7	\$6.5	5.7
>\$25K	233		\$106.6	
TOTAL	5,417		\$113.1	

\* Total contract actions less Foreign Military Sales and Interagency actions

\*\* Report stopped counting purchase card transactions on DD Form 1057 during year

## APPENDIX N

USD(C) Memorandum of March 28, 1996 (IMPREST Funds)

## APPENDIX O

### Purchase Card Goal Computation

One of the most effective manners in which to promote the use of the purchase card and keep management involved is by setting goals. It is recommended that a single goal be set for all of DoD by the Secretary of Defense. This goal will be expressed as a percentage of eligible micro-purchases made with the purchase card.

Each agency must determine of all their micro-purchases what percentage is capable of being purchased with the purchase card. This allows the agencies to take into account their different purchasing needs by setting the percent of ineligible micro-purchases. Once determined, achieving 100 percent of remaining eligible items is the goal of the agency.

The agencies can measure their progress by using the data from RMBCS and the F1 and F2 sections of the DD Form 1057, Monthly Contracting Summary of Actions \$25,000 or Less.

The formula for measuring purchase card usage is as follows:

Total number of action below \$25,000 (as reported by the RMBCS) divided by the sum of F1, F2, and total number of actions below \$25,000 (as reported by the RMBCS).

## APPENDIX P

### Recommendations

#### Summary of Recommendations

Rec No.	Description	Page No.	Office of Primary Responsibility (OPR)	Action Step Deadlines		
				1 Sep 96	1 Apr 97	1 Oct 96
IV-1	Issue policy on establishing tenant purchase card accounts to preclude cross-disbursements.	7	USD(A&T)	X		
IV-2	Emboss the government's tax exemption number on each purchase card.	8	USD(C)			X
IV-3	Issue policy to include the DoDAAC in "user field 2" during account setup.	8	USD(C)		X	
IV-4	Mandate use of electronic transmission for cardholder setup and account maintenance. Mandate that the local APC and servicing RMO jointly coordinate cardholder purchase limits.	9	USD(C) DUSD(AR)		X	
IV-5	Direct DAU to develop a purchase card training module.	10	DUSD(AR)	X		
IV-6	Provide credit card "sleeve" printed with cardholder instructions.	10	USD(C)			X
IV-7	Mandate the use of an advance reservation of funds (bulk funding).	12	USD(C)		X	
IV-8	Mandate the elimination of all pre-purchase documentation and approval requirements placed on the cardholder.	14	USD(A&T)		X	
IV-9.A	Waive on a class basis the FAR priority to obtain commercial supplies, valued within the micropurchase threshold, from local inventories.	15	USD(A&T)	X		
IV-9.B	Prepare a case to initiate a change to the FAR removing the priority to obtain commercial supplies, valued within the micro-purchase threshold, from local inventories.	15	DUSD(L)			X
IV-10	Promote the use of automated systems for electronic screening by cardholders (FEDLOG, etc.). Request threshold under which NIB, NISH, FPI and GPO are not applicable.	16	USD(A&T), Heads of DoD Components		X	



IV-11.A	Waive on a class basis the FAR priority to obtain commercial supplies valued within the micro-purchase threshold from IMM.	18	USD(A&T)	X		
IV-11.B	Prepare a case to initiate a change to FAR making the use of DoD wholesale sources for commercial items optional for micro-purchase.	18	DUSD(L)			X
IV-12	Advise DoD Components that HAZMAT and sensitive/classified items may be purchased with the purchase card.	18	DUSD(L)	X		
IV-13	Establish DoD-wide core standards and policies for purchase card account reconciliation, to include elimination of multiple layers of review and elimination of the AO function.	23	USD(C) DUSD(AR)	X		
IV-14	Request RMBCS to transmit weekly (flat file) downloads of all DoD transactions to DMDC for processing.	24	USD(C)	X		
IV-15	Direct DMDC to translate downloaded data into a user-friendly format accessible to authorized users.	24	USD(C)	X		
IV-16	Require Components to adopt, on an interim basis, an existing automated purchase card reconciliation system.	25	USD(C)	X		
IV-17	Direct the formation of an intersevice, interdisciplinary task group to develop a migratory database and reconciliation system.	25	USD(C)			X
IV-18	Designate the RMO as the billing office and maximize electronic receipt of the R063 invoice.	27	USD(C)	X		
IV-19	Delegate certification authority to the RMO.	27	USD(C)	X		
IV-20	Direct the use of summary-level financial information in cases where there is not a compelling argument to collect more detailed accounting data.	29	USD(C)	X		
IV-21	Mandate a single object class for micro-purchases.	29	USD(C)	X		
IV-22	Develop a stratified sampling program to estimate object class.	29	DoDIG		X	
IV-23.A	Establish an accelerated invoice payment process for purchase card transaction to ensure timely payment within 30 days.	31	USD(C)	X		
IV-23.B	Initiate a delayed dispute process for purchase card transactions.	32	USD(C)	X		
IV-23.C	Mandate standardized invoice disbursement procedures to include payment via EFT.	32	USD(C)	X		

IV-24	Task a centralized DoD site, such as DMDC, to receive, process, and distribute weekly electronic downloads of DoD cardholder transactions from RMBCS.	34	USD(C)		X	
IV-25	Develop a standardized methodology and sampling techniques to screen transactions centrally for evidence of fraud or abuse.	34	DoDIG		X	
IV-26	Provide sufficient, non-impeding, and adaptive methods to assure that purchase card misuse and fraud is contained (e.g., DoDIG-developed knowledge-based system).	34	Heads of DoD Components		X	
IV-27	Strongly discourage the use of oversight programs beyond those recommended. Include purchase card program in management control process.	35	Heads of DoD Components			
IV-28	Mandate that reports from the automated reconciliation purchase card programs be available for oversight by functional directorates.	35	USD(C)	X		
IV-29	Direct organizations to revise internal procedures to widely adopt the new property accountability threshold. Discourage flagrant use of pilferable categorization of supplies.	35	Heads of DoD Components		X	
V-1	Promote/facilitate streamlined procedures (vendor pre-acceptance of clauses and provisions) for procurements above the micro-purchase threshold through \$25,000.	38	DUSD(AR)	X		
V-2	Maximize EC/EDI and EFT for payment on contracts. Promote/facilitate use of card as order/payment method for single-purchase/delivery, single line of accounting contracts/orders.	40	USD(C)	X		
VI-1	Revise the DoD Financial Management Regulation to address policies for acceptance of the purchase card as a collection method and associated accounting procedures.	44	USD(C)/DFAS	X		
VI-2	Coordinate with the acquiring bank and DFAS regarding procedures for acceptance and processing purchase card collection transactions.	44	Heads of DoD Components		X	
VII-1	Seek to raise the micro-purchase level from \$2,500 to \$25,000 after DoD has successfully achieved its goals within the existing micro-purchases threshold.	45	DUSD(AR)		X	

VII-2	Direct that micro-purchases for all commercial items be purchased by the end-user.	46	Heads of DoD Components		X	
VII-3	Design and incorporate into a training module solutions to increase vendor acceptance of the purchase card. Prohibit the use of SF44's except in cases of overseas contingency operations.	47	DUSD (AR)			X
VII-4	Communicate to GSA the Department's requirements for the succeeding purchase card contract.	47	USD(C)	X		
VII-5	Establish pilot programs for the use of VISA and FEDSELECT checks.	48	USD(C)	X		
VII-6	Establish a DEPSECDEF goal for 100% of eligible micro-purchases to be made using the purchase card.	49	USD(A&T)	X		
VII-7	Issue guidance emphasizing and promoting the advantages of the purchase card. Encourage coverage of the purchase card program at schools and conferences where leaders learn better business practices.	49	USD(A&T)/ Head of DoD Components	X		
VII-8	Encourage public affairs officers to develop news stories on the advantages and success of the purchase card.	50	ASD(Public Affairs)		X	
VII-9	Encourage local purchase card coordinators to utilize commander's calls to promote the program.	50	Heads of DoD Components		X	

## APPENDIX Q

### Acronyms

To be determined